Adaptive Medias, Inc.
Form 10-K
April 14, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)

[X] **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2015**

or

[ ] **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______________.to _______________.

Commission file number 000-54074

ADAPTIVE MEDIAS, INC.

(Exact name of Registrant as specified in its charter)

Nevada	**26-0685980**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

47 Discovery Suite 220

Irvine, CA 92618

(Address of principal executive offices - Zip Code)

Registrant’s telephone number, including area code: 949-525-4634

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock**

Indicate by check mark if the Registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately $15,389,340 as of the end of the Registrant's second fiscal quarter (based on the closing sale price for the common stock on the OTC Markets on June 30, 2014). For purposes of this disclosure, shares of common stock held or controlled by executive officers and directors of the Registrant and by persons who hold more than 5% of the outstanding shares of common stock have been treated as shares held by affiliates. However, such treatment should not be construed as an admission that any such person is an "affiliate" of the Registrant. The Registrant has no non-voting common equity.

As of March 26, 2015, there were 13,943,108 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This report includes statements that may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts, including, without limitation, statements regarding future financial position, business strategy, budgets, projected sales, projected costs, and management objectives, are forward-looking statements. Terminology such as "may," "will," "expects," "intends," "plans, "projects," "estimates," "anticipates," or "believes" or the negative thereof, any variation thereon or similar terminology are intended to identify forward-looking statements.

These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially and adversely from the results proposed in such statements. Important factors that could cause actual results to differ from our expectations include, but are not limited to: the costs and availability of financing; our ability to maintain adequate liquidity; our ability to execute our business plan; our ability to control costs; our ability to attract and retain customers; general economic conditions; competitive pricing pressures; governmental regulation; weather conditions; and statements of assumption underlying any of the foregoing, as well as other factors set forth under "Item 7 — Management's Discussions and Analysis of Financial Condition and Results of Operations" in this report.

Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date of this report. All forward-looking statements are qualified in their entirety by the foregoing cautionary statements. We assume no duty to update or revise our forward-looking statements based on changes in our expectations or events after the date hereof.

The terms "Adaptive Medias, Inc. Corporation," the "Company," "management," "we," "us," and "our" in this Annual Report on Form 10-K are meant to refer collectively to Adaptive Medias, Inc. Corporation and its subsidiaries, formerly known as MIMVI.

PART I

Item 1. Business

Introduction

Adaptive Medias, Inc. is a technology company based in Irvine, CA that focuses on providing digital video and mobile solutions for publishers, video content owners who need an easy, efficient, centralized solution for video content management, delivery, syndication and one of the only end-to-end monetization platforms driven by programmatic algorithms. The platform offers an HTML5 (Fully Responsive)/Flash-friendly video player but is player agnostic and provides premium content for publishers who need digital video to offer to their audiences or to supplement their video libraries. Through its core platform and technology Adaptive Medias enables its customers to provide their audiences with mobile experiences and premium video content and to monetize those audiences by serving and optimizing relevant brand advertisements while maintaining the user experience.

History

The Company was organized on August 7, 2007 under the laws of the State of Nevada, as Fashion Net, Inc. whose business was to act as a fashion marketing/consulting company for specialty apparel goods. On June 30, 2010, the Board of Directors determined to change the direction of the Company's business to develop a search and recommendation engine for mobile web sites and native mobile applications. In connection with this change of direction, on April 12, 2010, the Company changed its name to "Mimvi, Inc."

Adaptive Media Acquisition and Merger

On July 1, 2013 (the "Closing Date"), Mimvi, Inc., entered into an Agreement and Plan of Merger (the "Merger Agreement") whereby the Company's wholly owned subsidiary, Adaptive Media Acquisition Co., Inc., an Oregon corporation, merged with and into Adaptive Media, Inc., an Oregon corporation ("Adaptive Media") formed on May 14, 2012, Adaptive Media was engaged in the business of Internet, mobile, and video advertising (the "Merger"). On the Closing Date, the parties executed all documents and filed the Plan of Merger with the Oregon Secretary of State. Upon consummation of the Merger, the Adaptive Media shareholders were issued 1,116,667 shares of common stock, par value $0.001 per share, of Mimvi constituting approximately 29.9% of the outstanding stock of the Company, and Mimvi shareholders retained approximately 70.1% of the Company.

Following the Merger, the Company changed its name to Adaptive Medias, Inc. on November 6, 2013 in order to better and more fully emphasis the Company's mission of providing a complete, end-to-end supply-side platform for mobile, desktop video and online display advertising and the wind-down of the former Mimvi initiatives. In connection with the name change, effective on November 19, 2013, the Company's ticker symbol was changed to ADTM.

Ember Acquisition and Merger

On December 4, 2013, the Company, entered into an Agreement and Plan of Merger whereby the Company's wholly owned subsidiary, Ember Acquisition Co., Inc., a Delaware corporation, merged with and into Ember, Inc., a Delaware corporation ("Ember"). Upon consummation of the Merger, the Ember shareholders were issued 233,334 shares of common stock, constituting approximately 5.3% of the outstanding stock of the Company. The Merger caused Ember to become a wholly owned subsidiary of the Company. The Ember acquisition included ad-server and real-time-bidding technology and the employment of Ember's engineers.

Media Graph Acquisition and Merger

On July 15, 2014, the Company executed a Stock Purchase Agreement (the "Agreement") with OneScreen, Inc., a Delaware corporation ("OneScreen"), Media Graph, Inc., a Nevada corporation and OneScreen's spun-off former subsidiary ("Media Graph"), and the shareholders of Media Graph (the "Selling Shareholders"), effective June 30, 2014, whereby the Company acquired certain assets of OneScreen, which immediately prior thereto were held by Media Graph, in exchange for 5,000,000 shares of the Company's common stock (the "Acquisition"). On July 15, 2014, the parties to the Agreement executed the First Amendment to the Stock Purchase Agreement (the "Amendment"), which (i) amended the effective date of the Agreement to July 15, 2014, (ii) limited the scope of Section 5.04 of the Agreement to apply only to the Restricted Selling Shareholders, as defined in the Amendment, and (iii) added the Selling Shareholders as a signatory to the Agreement.

Reverse Stock Split

On April 14, 2014, the shareholders of the Company authorized its Board of Directors to effectuate a reverse stock split, in the Board's discretion (the "Reverse Stock Split"), which was ultimately declared effective by the Board of Directors as of the close of business on July 14, 2014. As a result of the Reverse Stock Split, every 30 issued and outstanding shares of the Company's common stock was changed and converted into one share of common stock. Following the Reverse Stock Split, the Company continues to have 300,000,000 shares of common stock authorized for issuance, but the number of outstanding shares of the Company's common stock was reduced from 192,364,735 shares to 6,412,225 shares. As required by the Financial Accounting Standards Board's (FASB") Accounting Standards Codification ("ASC") Topic 260-10-55-12 "*Earnings per Share*" all share and per-share computations presented in this

Annual Report on Form 10-K and the accompanying consolidated financial statements are based on the new number of shares after the Reverse Stock Split.

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Industry Overview

Consumers and audiences are increasingly watching video on mobile devices:

According to eMarketer two-thirds of the U.S. population watches digital video and the time spent watching digital video is growing aggressively (+56% year over year).

Cisco projects that in four years, 75% of the world's mobile traffic will be video.

Advertisers and marketers are following this growth.

According to eMarketer the share of US cross-device digital video ad campaigns rose from just 17% to 51% between the first quarter of 2014 and the fourth quarter of 2014.

eMarketer also estimates that mobile ad spending will reach $64 billion during 2015 with a target of $158 billion by 2018.

Business Overview

Adaptive Medias, Inc: focuses on providing digital video and mobile technology and service solutions for publishers and content owners who need an easy, efficient, centralized solution for video content management, delivery, syndication and monetization. The platform offers an HTML5 (Fully Responsive)/Flash-friendly Video Player but is player agnostic and provides premium content for publishers who need digital video to offer to their audiences or to supplement their video libraries.

Customers pay a fee for the core Media Graph platform which allows the customer to upload and encode content and then store, manage, program and serve that content to their audiences. In addition, the core platform allows Adaptive Medias to provide the following options and supporting services:

The platform comes with a video player or the customer can use its player. The Company's proprietary mobile-first player was designed for mobile devices, as compared to players that were originally designed as a desktop video player and then repurposed.

The platform services allow the customer to use the customer's own advertising relationships, supplement those advertising campaigns with Adaptive Medias advertising orders or have Adaptive Medias fully-manage the advertising process on the customer's behalf.

The platform provides content syndication and audience buying services – for content owners that may have unfilled advertising campaigns and need additional reach.

In addition, if publishers need premium video content or need to supplement their libraries with additional video content, Adaptive Medias platform provides the ability to select from collections of content or to license the content from other third parties.

Competition

Publishers and video content owners that want to engage audiences across mobile and other devices with video experiences are challenged with fragmented technology solutions and providers. They often have to acquire a content management system, content delivery network, desktop video player, mobile video player, an adserver, and ads from adnetworks or advertising exchanges via real-time-bidding (RTB) technology from multiple vendors and they may also incur other internal costs and inefficiencies to integrate the services so that they will continue working together.

As a result many vendors in the market provide components of the Adaptive Medias platform without providing the entire simplified platform or providing a video player that is mobile-first, that is designed for mobile devices and able to self-adapt to the particular mobile device the individual is using.

Our competitors include companies that provide online video players such as JW Player, CMS platform and desktop video players such as Ooyala and BrightCove, adserver and advertising network and service providers such as Tremor Video and FreeWheel, content delivery network providers such as Akamai, and video content licensing services such as NDM or AOL.

While we believe that the end-to-end solution provided by our Media Graph platform competes well with the products and services offered by these competitors, many of our competitors are more established in the industry than we are and have greater financial and personnel resources than we do. We do not represent a significant competitive presence in the industry.

Business Development

Our business development efforts are focused on three main areas:

- publishers and content owners that have video content and need an easy, efficient, centralized technology platform solution for video content management, delivery, syndication and monetization;
- white-label partners of websites that provide desktop or display-oriented advertising services to hundreds or thousands of websites and that need to provide a technology platform with video solutions or mobile solutions to supplement the services they currently provide to their website owners; and
- syndication partners that have branded video content (i.e. video sponsored by or produced by brand advertisers) that need a player and platform to syndicate the content and reach additional audiences.

Separately but related, we focus on having relationships with Advertising Networks and Exchanges to assist our Publishers and Content owners in monetizing their content and audiences.

Intellectual Properties & Licenses

Our success and ability to compete are substantially dependent upon our internally developed technology and expertise.

We rely on patent, copyright, trade secret, and trademark law to protect our technology. We currently have one provisional patent application pending. We also believe that factors such as the technological and creative skills of our personnel, and new product developments and enhancements are essential to establishing and maintaining a technology leadership position. There can be no assurance that others will not develop technologies that are similar or superior to our technology.

Our success will depend in part upon our ability to protect our intellectual property rights. We cannot be certain that other parties will not contest our intellectual property rights.

Employees

As of the date of this report, we have 30 employees. We are not a party to any collective bargaining agreements.

Item 1A. Risk Factors

The following important factors, and the factors described elsewhere in this report or in our other filings with the SEC, could affect (and in some cases have affected) our business, operations, financial results or financial condition and could cause our results of operations to be materially different from estimates or expectations. Other risks and uncertainties, of which we are currently unaware may also affect our results or operations adversely.

An investment in our securities is highly speculative in nature and involves an extremely high degree of risk. A prospective investor should consider the possibility of the loss of the investor's entire investment and evaluate all information about us and the risk factors discussed below in relation to his financial circumstances before investing in our securities.

Risks Related to the Company's Operations

Our intellectual property is valuable, and our inability to protect it could reduce the value of our products, services, and brand.

We currently do not have patents for any of our technology. Although we seek to obtain patent protection for our innovations, it is possible we may not be able to protect some of these innovations. Furthermore, there is always the possibility, despite our efforts, that the scope of the protection gained will be insufficient or that an issued patent may be deemed invalid or unenforceable. The efforts we have taken to protect our proprietary rights may not be sufficient or effective.

Any significant impairment of our intellectual property rights could harm our business and our ability to compete. Also, protecting our intellectual property rights may be costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results.

We have limited financial resources and are dependent on raising additional funds to support future operations.

As of December 31, 2015, we had $2,255,784 in cash and $4,072,155 in total current assets and we had total current liabilities of $4,649,595. The latter represents the total amount of accounts payable and accrued expenses that we owed and which are due for payment as of December 31, 2015. We have limited funds to pay all of our current liabilities. Should one or more of our creditors demand immediate payment in-full, we are not likely to have the resources to pay or satisfy any such claims. If the Company cannot continue to raise additional funds it could face a risk of insolvency.

We have incurred continued operating losses and we lack a history of operations upon which an investor can assess our business and plans.

For the year ended December 31, 2015, we incurred $14,816,734 in net losses and $18,849,726 in net losses for the year ended December 31, 2014. We anticipate that we will likely incur significant additional losses in the future as well.

Our insolvent financial condition also may create a risk that we may be forced to file for protection under applicable bankruptcy laws or state insolvency statutes. We also may face the risk that a receiver may be appointed. We face that risk and other risks resulting from our current financial condition.

For these and other reasons, we anticipate that unless we can obtain sufficient capital from an outside source and do so in the very near future, we may be unable to continue to operate as a corporation, continue to meet our filing obligations under the Securities Exchange Act of 1934, or otherwise satisfy our obligations to our stock transfer agent, our accountants, our legal counsel, our EDGAR filing agent, and many others.

For these and other reasons, our management recognizes the adverse difficulties and continuing severe challenges we face. Apart from the funds that we have raised during the year ended December 31, 2015, we have no committed source of financing and there can be no assurance that we will receive any additional financing or funding from any source or if any financing should be obtained, that existing shareholders will not incur substantial, immediate, and permanent dilution of their existing investment.

Going Concern Uncertainties

As of December 31, 2015, we have only limited working capital with which to pursue our business plan. The amount of capital required to sustain operations until we achieve positive cash flow from operations is subject to future events and uncertainties. It will be necessary for us to secure additional working capital through sales of our common stock and/or debt financing, and there can be no assurance that such funding will be available in the future. These conditions raise substantial doubt about our ability to continue as a going concern.

As of and for the years ended December 31, 2015 and 2014, our independent registered public accounting firms have issued a going concern qualification as part of their audit reports included herein and included in our 2015 consolidated financial statements.

Our common stock is subordinate to existing and future debt.

All of our common stock is and will remain subordinate to the claims of our existing and future creditors. As of December 31, 2015, we had $ 4,686,991 reflected as total liabilities on our consolidated balance sheet. These existing claims together with likely additional debts, obligations, and other commitments that we give to others in the future, will be superior to any rights and interests of our stockholders.

Significant control of the Company is held by management and principal shareholders.

Our officers, directors and principal stockholders (greater than 5% stockholders) collectively control approximately 45% of our common shares (including stock options and warrants) as of March 26, 2016. As a result, any person who acquires our common shares will likely have little or no ability to influence or control the Company.

Due to a limited public market our common stock may not be easily sold.

There is a limited trading market for our common shares, and there is no guarantee that a continuous liquid trading market will develop. All of our common shares are traded only on the OTC Bulletin Board and the OTCQB and there can be no assurance that the common shares will ever gain any liquid trading volumes in any other market or gain listing on any stock exchange.

Our business is difficult to evaluate because we have a limited operating history.

We have a history of operating losses and we have incurred significant net losses in each of the last two years. . For the years ended December 31, 2015 and 2014, we had net revenues of $xxxxx and $5,075,226 and incurred net losses of $xxx and $18,849,726, respectively. These losses, among other things, have had and will continue to have an adverse effect on our results of operations, financial condition, stockholders' equity, net current assets and working capital.

We will need to generate significant additional revenue and/or cost reductions to achieve profitability. While management believes that we may achieve profitability in the future, there can be no assurance that we will do so. Our ability to generate and sustain significant additional revenues or achieve profitability will depend upon numerous factors outside of our control, including sales of our advertising and software products and reduction of our debt obligations.

Our stock price is likely to be highly volatile because of several factors, including a limited public float.

The market price of our stock is likely to be highly volatile because there has been a relatively thin trading market for our stock, which causes trades of small blocks of stock to have a significant impact on our stock price. You may not be able to re-buy or re-sell our common stock easily following periods of volatility because of the market's reaction to volatility.

Other factors that could cause such volatility may include, among other things:

- announcements concerning our strategy;
- litigation; and
- general market conditions.

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Because our common stock is considered a "penny stock" any investment in our common stock is considered to be a high-risk investment and is subject to restrictions on marketability.

Our common stock is currently quoted on the OTC Bulletin Board and the OTCQB and is considered a "penny stock." The OTC Bulletin Board and the OTCQB is generally regarded as a less efficient trading market than the NASDAQ Capital Market.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC, which specifies information about penny stocks and the nature and significance of risks of the penny stock market. The broker-dealer also must provide the customer with bid and offer quotations for the penny stock, the compensation of the broker-dealer and any salesperson in the transaction, and monthly account statements indicating the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that, prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock.

Since our common stock is subject to the regulations applicable to penny stocks, the market liquidity for our common stock could be adversely affected because the regulations on penny stocks could limit the ability of broker-dealers to sell our common stock and thus your ability to sell our common stock in the secondary market.

The Company may issue more shares which will result in substantial dilution.

Our Certificate of Incorporation authorizes the issuance of a maximum of 300,000,000 shares of common stock and 50,000,000 shares of preferred stock. Our Board of Directors has the power to issue any or all of such authorized but unissued shares without stockholder approval. To the extent that additional shares of common stock or preferred stock are issued, dilution to the interests of our stockholders will occur and the rights of the holders of common stock might be materially and adversely affected.

FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the “penny stock” rules described above, the Financial Industry Regulatory Authority (FINRA) has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Our internal controls may be inadequate, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

We have never paid dividends on our common stock.

We have never paid dividends on our common stock and do not presently intend to pay any dividends in the foreseeable future. We anticipate that any funds available for payment of dividends will be re-invested into the Company to further its business strategy.

Item 1B. Unresolved Staff Comments

None.

Item 2. Description of Property

We do not own any real property. We lease two offices in Irvine, California. On September 22, 2015 the Company signed a lease for office space at 47 Discovery in Irvine, California, and subsequently moved its operation to this location. This lease expires in September 2018 and carries a current monthly rent of approximately $5,350. The previous location of our headquarters was located at 16795 Von Karman Avenue, Suite 240, Irvine, California, 92606. This lease expires in March 2017 with a current rent of $13,100. This location is currently being subletted.

Item 3. Legal Proceedings

In July 2013, the Company became aware that a default judgment had been entered against Mimvi (now Adaptive Medias, Inc.) in favor of Mario Armando Wilson and against the Company in the amount of $62,141 and the balance has been accruing interest. In 2014, the Company and Mr. Wilson reached a settlement agreement in which the Company granted Mr. Wilson 19,629 unregistered shares of stock and a commitment that the shares will be tradeable on June 3, 2015 at a value of $74,000 with any shortfall being paid in cash.

The Company was in an arbitration case entitled *Felix Chan v. Mimvi* (now Adaptive Medias, Inc.) which was proceeding before the American Arbitration Association. On December 12, 2014, the Arbitrator issued an award against the Company in the amount of $348,803 which has been accrued as of December 31, 2014. The Company is exploring options to have the award set-aside or reduced.

On September 20, 2013, Eric Rice, a former employee, sued the Company (Rice v. Adaptive Medias, etc., et al., LASC No. LC100816, Van Nuys Superior Court). The complaint alleges that the Company breached Mr. Rice's employment agreement and made misrepresentations when the Company terminated Mr. Rice. The complaint does not specify the amount of alleged damages. The Company denies any breach or misrepresentation, and the Company denies that it owes Mr. Rice anything. The Company has filed a cross-complaint against Mr. Rice for damages and other relief. Discovery is underway.

On July 29, 2013, Khoi Senderowicz filed a lawsuit against the Company and two other individuals, Andrew Linton and Kasian Franks (Senderowicz v. Franks, etc., et al., Case No. RG13689457, Alameda County Superior Court). The suit alleges breach of leases for real property and damages to real property and seeks $353,894 in alleged damages. The Company has responded to the Complaint and denied all claims and damages.

In April of 2014, the Company became aware that a lawsuit was filed against the Company in the Superior Court of Santa Clara County, California by Amanda Besemer, who was an Advisory Board member of Mimvi from 2010-2012. Ms. Besemer seeks damages equivalent to $400,000 of stock or the cash equivalent of such related to the termination of the Advisory Board role. The Company has responded to the Complaint and denied the allegations. The Company has been informed that the case in Santa Clara has been dismissed and that Ms. Besemer intends to refile the case in Southern California. As yet, the case has not been refiled.

On January 27, 2015, the Company has become aware of a recent cross-complaint filed by the former CEO of OneScreen. *(Patel v. OneScreen, Adaptive Media, Inc and Qayed Shareef).* The Company believes it has sufficient defenses against any of the claims in this matter and intends to vigorously defend its position.

The Company does not believe the ultimate outcome of these proceedings will have a material adverse impact on the Company’s consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is quoted under the symbol "ADTM" on the OTC Bulletin Board and the OTCQB, a quotation service that displays sale prices, and volume information for transactions with market makers in over-the-counter ("OTC") equity securities. All such quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not necessarily represent actual transactions. Trading in our common stock is limited and sporadic and there can be no assurance that any liquid trading market will develop or, if it does develop, that it can be maintained.

The high and low bid quotations for our common stock for each of the quarters of our fiscal years ended December 31, 2054 and 2014 are set forth in the table below:

	Price Range	
	High($)	Low($)
Quarter ended March 31, 2014	$4.50	$ 2.10
Quarter ended June 30, 2014	$4.20	$ 2.40
Quarter ended September 30, 2014	$4.30	$ 1.70
Quarter ended December 31, 2014	$5.45	$ 2.31
Quarter ended March 31, 2015	$3.19	$ 1.50
Quarter ended June 30, 2015	$2.47	$ 0.31
Quarter ended September 30, 2015	$0.51	$ 0.18
Quarter ended December 31, 2015	$0.39	$ 0.15

On April 10, 2015, the closing per share price for our common stock was $_____.

Holders: According to the records of Adaptive Medias' transfer agent, Adaptive Medias had 351 stockholders of record as of March 26, 2016 and it believes there are a substantially greater number of beneficial holders. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name.

Dividends: We have not paid any dividends to date, and we have no intention of paying any cash dividends on our common stock in the foreseeable future. The declaration and payment of dividends is subject to the discretion of our Board of Directors and to certain limitations imposed under the Nevada Revised Statutes. The timing, amount and form of dividends, if any, will depend on, among other things, our results of operation, financial condition, cash requirements and other factors deemed relevant by our Board of Directors.

Securities Authorized for Issuance under Equity Compensation Plans

The Company's shareholders approved the Company's 2010 Stock Incentive Plan (the "2010 Plan") on November 2, 2010. The Plan provides for the grant of non-statutory or incentive stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards to the Company's employees, Officers, Directors or consultants. The Company's Board of Directors administers the 2010 Plan, selects the individuals to whom options will be granted, determines the number of options to be granted, and the term and exercise price of each option. Stock options granted pursuant to the terms of the 2010 Plan generally cannot be granted with an exercise price of less than 100% of the fair market value on the date of the grant. The term of the options granted under the 2010 Plan cannot be greater than 10 years. Options vest at varying rates generally over three to five years along with performance based options.

In September 2013, our Board of Directors approved an increase in the number of shares issuable pursuant to the 2010 Plan to 15,000,000. In December 2013, our Board of Directors approved an amendment to the 2010 Plan which increased the number of shares issuable pursuant to the 2010 Plan by 15,000,000 to 30,000,000 shares. Both amendments have also been approved by the Company's shareholders. Upon completion of the Reverse Stock Split on April 14, 2014, the Company continues to have 30,000,000 shares issuable of which 28,522,023 shares were available for future grant as of December 31, 2015. The material terms of our stock incentive plans are described in Note 7 of the Notes to Financial Statements in Part II, Item 8 of this Form 10-K.

Performance Graph

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

Sales of Unregistered Securities

There were no unregistered sales of securities during the period covered by this report that were not previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Item 6. Selected Financial Data

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This report contains forward-looking statements that involve risks and uncertainties. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology including, “could” “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “poter negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this Annual Report.

Business Overview

We are a leader in programmatic, real time bidding (“RTB”) advertising across mobile, video and display, as well as a provider of a business-to-business digital video content management platform SaaS. The Company, through its core content monetization platform and technology, provides app developers, publishers and video content developers one of the only end-to-end monetization platforms driven by programmatic algorithms. The Company provides these unique capabilities to monetize content efficiently across multiple marketing channels and devices, including mobile, video and online display advertising.

Pursuant to votes of the majority of the Board of Directors and shareholders, effective on November 6, 2013, the Company changed its name to Adaptive Medias, Inc. in order to better and more fully demonstrate the Company’s emphasis on providing a supply-side platform for mobile, video and online display advertising. In connection with the name change, effective on November 19, 2013, the Company’s ticker symbol was changed to ADTM.

The Company is a programmatic audience and content monetization company for website owners, app developers and video publishers who want to more effectively optimize content through advertising. The Company provides a foundation for publishers and developers looking to engage brand advertisers through a multi-channel approach that delivers integrated, engaging and impactful ads across multiple devices. The Company meets the needs of its publishers with an emphasis on maintaining user experience, while delivering timely and relevant ads through its multi-channel ad delivery and content platform. Our corporate headquarters are located at 47 Discovery Suite 220, Irvine CA, 92618. Our website address is www.adaptivem.com. The information contained on, or that may be obtained from, our website is not, and shall not be deemed to be, a part of this report.

On the supply side, the Company provides each publishing client with unique capabilities to distribute and monetize its content across multiple channels or operating systems, where it can serve a piece of content on a laptop, a tablet and a phone without any additional cost or license. The optimization modules in our technology can be deployed across multiple channels on the platform to provide capabilities such as ad serving, RTB, ad revenue waterfall management and video content management, and enabling necessities like the video player itself. We help mobile app developers, publishers and video content developers monetize their ad inventory through our proprietary ad-delivery and optimization platform. The Company provides these unique capabilities to monetize content efficiently across multiple marketing channels, including mobile, video and online display advertising. Our relationships span across health, sports, entertainment, auto, fashion, news, tech and luxury verticals.

On the demand side, the Company's programmatic technology stack is advertiser-friendly; the platform provides advertisers with a brand-safe and transparent marketplace for buying media across mobile, video and display. This is essential for big brand advertisers and brand-direct ecommerce companies that require a high level of safety, context and relevance for their advertisements.

On June 16, 2014, the Company launched its marketplace to enable publishers a seemingly simple marriage of quality content, users and monetization opportunities side-by-side with advertising partners who drive demand. This is accomplished through a complex set of discovery technology solutions, driven by patents, and efficient algorithmic data that cohesively interact in any digital marketing environment where advertising, audience and content must come together.

Factors Affecting Our Performance

We believe that the growth of our business and our future success depend on various opportunities, challenges and other factors, including the following:

Investment in Growth

During 2014, Adaptive Medias focused on stabilizing and integrating the technology platform consisting of multiple legacy systems. With the acquisitions of Adaptive Media and Ember and the business combination with Media Graph Inc., we needed to take a moment to insure all of our technology stack properly works and is capable of handling the growth we are starting to experience. With the stabilization behind us, we plan to invest in additional business development resources to drive awareness and adoption of the platform to targeted customers. We also plan to invest in additional features and technology such as data visualization and insights and optimization tools that will further increase the value of the platform to current and future customers. We also intend to continue investing in research and development related to further streamlining the content marketplace service. The goal of these development efforts will be to maximize market penetration across our multiple streams of income within the video and mobile landscapes while improving the user experience. We also believe that as both our publisher and demand side sales teams becomes more seasoned, we will experience an increase in sales productivity.

Technology Enhancements and Customer Satisfaction

We will continue to make improvements to our technology platform. We will be focusing our development efforts in two main categories. The first effort will be to increase performance for our publishing partners through improved efficiency, higher fill rates and reduced Cost Per Thousand (“CPM”) impressions. The second effort will be a collaborative solution with the agencies and advertisers that could include planning, content monetization and strategic partnership opportunities. Both of these efforts will have the overarching goal of increasing our customer satisfaction and thus increasing our customer retention.

Ability to Increase Penetration in All Channels and All Devices

Our future performance is dependent on our continued ability to penetrate and grow our revenue in mobile and video channels but to also serve the needs of our customers that need help with display advertising. These revenues will come from both the publisher side through our RTB platform driving inventory monetization and through direct agency and advertiser contracts. Video and mobile represent the fastest growing channels currently, but we also see a significant opportunity in rich media and high impact display ads. Mobile device growth is eclipsing desktop growth. We are seeing an increase in requests for cross device targeting. We are working on a unique, non-Personal Identity Identifier (“PII”) solution based on our data store that will allow us to successfully identify users regardless of which device they are on.

Seasonality

In the advertising industry, companies commonly experience seasonal fluctuations in revenue. For example, many advertisers allocate the largest portion of their budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. Historically, the fourth quarter of the year reflects our highest level of advertising activity, and the first quarter reflects the lowest level of such activity. We expect our revenue to continue to fluctuate based on seasonal factors that affect the advertising industry as a whole.

Competition

There are many fractional players in this space. There are those who provide video players like Ooyala, BrightCove and Kaltura. Others provide advertising network services like BrightRoll, Grab and TubeMogul. A final group provides ad serving and demand services including RocketFuel, LiveRail or FreeWheel. These providers and their fragmented solutions only complicate the choices that a publisher, app developer or video content provider must make to participate in today's market for audiences and advertising revenue. We believe that AOL is the only other company that can claim to provide an end-to-end solution. It has a video player and ad serving capabilities through Adap.tv, CMS and CDN capabilities through 5min Media and a wealth of inventory and demand through legacy AOL properties and exchange integration.

Despite AOL's size, we believe that we our business model has advantages that will allow us to compete in this space. The first advantage pertains to AOL's legacy inventory source. While AOL benefits from many domains under its control, it is also hampered by the responsibility to fill advertising through these domains first. Our advantage is that we are inventory agnostic. If advertisers want and can benefit from our direct publisher inventory, we are happy to provide it. If advertisers want to take advantage of efficiencies through RTB exchange inventory, we can provide that as well. The Company is less restricted and, as a result, we believe that we can provide better optimization choices than AOL.

The second advantage is in pricing. AOL's legacy properties have high floor inventory costs. While AOL addresses this issue by explaining that its inventory is "premium", this claim is generally made by most, if not all, inventory sources. Our inventory flexibility and existing monetization contracts allow us to deliver advertising, which we believe has the same quality as AOL's advertising, but at a lower cost per impression. We believe that this allows us an edge in negotiating onto advertising campaigns where we don't have an existing track record.

Business Development

Our business development efforts are focused on three main areas. The first is signing content providers to syndication and monetization deals. The second is signing publishers onto our platform. The third area of focus is driving advertising demand or fulfillment through our platform. This translates to revenue generation in the following forms: 1) Encoding fees for uploading content; 2) Revenue share from platform publishers consuming the content; 3) Content streaming bandwidth fees from publishers consuming content; 4) Ad server fees from publishers consuming ads within the platform; 5) Content storage fees for housing content within the platform; and 6) Percentage of revenue from advertisers attaching content to their video ads. In 2013, we added approximately 50 publishers. The direct impact of which was operationally minimal as the platform lends itself extremely simplified workflows. Our overall content contracted in 2013 as we began to remove underperforming partners and categories. We expect all content categories to grow in 2015 as we move toward stabilization of our platform and expansion of our technical capabilities while onboarding premium content providers through focused business development efforts. During the year ended September 30, 2015, our efforts to streamline our operations and processes led to the successful acquisition and retention of quality publishers and content relationships. New relationships included premium publishers and content producers, all of whom are leaders in their respective categories.

Today our advertiser campaign demand initiatives are consistently fulfilling and scaling at sustainable rates for our growing publisher base. We have over 350,000 rights cleared pieces of video content across all interest categories. We have recently expanded our publisher base to include Latin On, Webisaba, Sovrn Holdings, Techno Buffalo.

The push made in 2014, to penetrate the comScore top 1000 publisher accounts depicted the growth and scale of our platform syndication capabilities. Engaging these publishers will increase our platform utilization and SaaS income. It will increase the consumption and utilization of our content partners resulting in higher income. It will also allow for greater reach for our demand partners and advertising agencies leading to higher advertising revenues.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in our consolidated financial statements and related notes. Our significant accounting policies are described in Note 2 to our consolidated financial statements.

Results of Operations – Years ended December 31, 2015 and 2014

Revenue and Cost or Revenue

	For the years ended		
	2015	2014	Change
Revenues	$4,654,489	$5,075,226	$(420,737)
Cost of Revenues	3,891,930	3,940,350	(48,420)
Total as a percentage of revenues	83.6%	77.6%	6.0%

For the three months ended September 30, 2015, we recognized revenue of $702,892 compared to $1,382,139 in the comparable period of 2014, a decrease of $679,247 or 49%. The decrease was primarily due to the phase out of Flash, resulting in shakeups across the ad-tech space. This occurrence began when Google announced it would automatically start pausing Flash content in its Chrome browser. This issue affected many of our advertising partners who have had to deal with a rapid transition from Flash to HTML5. We are utilizing our HTML5 player to solve this issue, however we are dependent on our partners' ability to adopt an HTML5 solution. By the first half 2016 we expect the majority of our partners to have adopted our HTML5 solution and for this to no longer be of consequence.

For the three months ended September 30, 2015, our cost of revenue decreased to $622,375 compared to $1,092,552 in the comparable period of 2014, a decrease of $470,177 or 43%. The decrease is to be expected given the above industry-wide issues reducing overall revenue. We expect to see an increase margins in future periods by engaging with both existing and new publisher relationships in mobile video arena through our platform which yields higher revenues at lower costs.

Operating Expenses

As a result of the expansion of our self-serving, automated platform business and cost cutting measures, our operating expenses decreased to $2,118,524 for the three months ended September 30, 2015, compared to $3,894,144 in the comparable period of 2014, a reduction of $1,775,620 or 46%. This decrease is in part related to stock-based compensation for services period over period and other changes noted below.

	For the years ended		
	2015	2014	Change
Legal and professional fees	$1,341,127	$1,506,016	$(164,889)

Total as a percentage of revenues	28.8 %	29.7 %	-0.9 %

For the three months ended September 30, 2015, legal and professional fees decreased to $250,690 from $290,704 in the comparable period of 2014, a reduction of $40,014 or 14%. The decrease is due to the gradual resolution of on-going litigation, primarily related to matters from previously completed acquisitions. In the remainder 2015 and 2016, we expect the litigation efforts to continue but decrease as we address them accordingly.

	For the years ended		
	2015	2014	Change
Research and development	$174,443	$1,381,873	$(1,207,430)
Total as a percentage of revenues	3.7 %	27.2 %	-23.5 %

For the three months ended September 30, 2015, the research and development costs that we incurred decreased to $0 from $439,263 in the comparable period of 2014. This decrease is primarily due to a reduction in staff compared to the prior comparable period. Going forward we expect to maintain a lean staff of highly motivated sales and support resources to help expand our growth efforts.

	For the years ended		
	2015	2014	Change
General and administrative expenses	$3,927,620	$4,044,468	$(116,848)
Total as a percentage of revenues	84.4 %	79.7 %	4.7 %

For the three months ended September 30, 2015, general and administrative expenses decreased to $605,795 from $1,153,669 in the comparable period of 2014, a reduction of $547,874 or 47%. The reduction was primarily due to cost cutting initiatives which began in May 2015 that came to full realization during the current period. We continue to anticipate lower general and administrative expenses in future periods.

	For the years ended		
	2015	2014	Change
Selling expenses	$367,025	$1,712,328	$(1,345,303)
Total as a percentage of revenues	7.9 %	33.7 %	-25.9 %

For the three months ended September 30, 2015, our selling expenses decreased to $37,853 from $500,437 in the comparable period of 2014, a reduction of $462,584 or 92%. This decrease is primarily due to streamlining our sales and marketing personnel and related resources. We continue to anticipate lower selling expenses in future periods.

	For the years ended		
	2015	2014	Change
Depreciation and amortization	$	$	$ -
Total as a percentage of revenues	0.0 %	0.0 %	0.0 %

For the three months ended September 30, 2015, depreciation and amortization increased to $663,895 from $509,376 in the comparable period of 2014, an increase of $154,519 or 30%. The increase was primarily due to the overall increase in furniture and fixtures and intangibles assets acquired that are being amortized over their estimated useful lives. We expect depreciation and amortization to remain at these levels in absolute dollars in future periods.

	For the years ended		
	2015	2014	Change
Stock compensation expense	$2,704,989	$1,206,852	$1,498,137
Total as a percentage of revenues	58.1 %	23.8 %	34.3 %

For the three months ended September 30, 2015, stock compensation expense decreased to $560,291 from $1,000,695 in the comparable period of 2014, a reduction of $440,404 or 44%. This decrease was a result of management opting for debt financing solutions rather than stock compensation.

Other income (expense)

	For the years ended		
	2015	2014	Change
Interest expense	$680,230	$42,171	$638,059
Total as a percentage of revenues	14.6 %	0.8 %	13.8 %

	For the years ended		
	2015	2014	Change
Other income	$889,334	$18,827	$870,507
Total as a percentage of revenues	19.1 %	0.4 %	18.7 %

During the three-month period ended September 30, 2015, we recorded an initial derivative liability of $711,959 in relation to our Convertible Notes Payable consisting of debt discount of $975,985, and a charge to earnings of $264,026. In addition, during the three months ended September 30, 2015, we amortized $40,666 of debt discount to interest expense. During the three months ended September 30, 2015, we recorded a gain on extinguishment of debt of $844,180 consisting of write-offs of discontinued liabilities and other accruals that were duplicates, unsupportable, or have run their statutes of limitation per state laws.

Net Loss

For year ended December 31, 2015, we incurred a net loss of $8,072,226, or $.50 per basic and diluted share compared to a net loss of $6,752,704, or $0.89 per basic and diluted share for year ended December 31, 2014. The increase in the net loss is described above.

Liquidity and Capital Resources

As of December 31, 2015, we had total current assets of $1,940,889 consisting of $602 in cash, $988,595 in net accounts receivable, and $951,692 in prepaid expenses. We had total current liabilities of $4,138,628 consisting of accounts payable, accrued expenses, convertible notes, and derivative liabilities.

We have limited funds to pay our currently due debts and liabilities. Should one or more of our creditors seek or demand payment, we are not likely to have the resources to pay or satisfy any such claims. Thus, we face risk of defaulting on our obligations to our creditors with consequential legal and other costs which would adversely impact our ability to continue our existence as a corporate enterprise.

Our insolvent financial condition also may create a risk that we may be forced to file for protection under applicable bankruptcy laws or state insolvency statutes. We also may face the risk that a receiver may be appointed. We face that risk and other risks resulting from our current financial condition.

For these and other reasons, we anticipate that unless we can obtain sufficient capital from outside sources and do so in the very near future, we may be unable to continue to operate as a corporation, continue to meet our filing obligations under the Securities Exchange Act of 1934, or otherwise satisfy our obligations to our vendors, stock transfer agent, our accountants, our legal counsel, our EDGAR filing agent, and many others.

For these and other reasons, our management recognizes the adverse difficulties and continuing severe challenges we face. Apart from the funds that we have received to date, there can be no assurance that we will receive any additional financing or funding from any source or if any financing should be obtained, that existing shareholders will not incur substantial, immediate, and permanent dilution of their existing investment.

The following is a summary of the Company’s cash flows provided by (used in) operating, investing, and financing activities for the years ended December 31, 2015 and 2014:

	Years ended December 31,	
	2015	2014
Net cash used in operating activities	$(11,132,638)	$(4,471,775)
Net cash used by investing activities	5,295,413	(300,504)
Net cash provided by financing activities	3,581,800	7,005,875
Change in cash	$(2,255,425)	$2,233,596

Going Concern Uncertainties

As of December 31, 2015, we do not have an adequate source of operating revenue to cover our operating costs, and have only limited working capital with which to pursue our business plan. The amount of capital required to sustain operations until we achieve positive cash flow from operations is subject to future events and uncertainties. It will be necessary for us to secure additional working capital through sales of our common stock and/or debt financing, and there can be no assurance that such funding will be available in the future. These conditions raise substantial doubt about our ability to continue as a going concern.

It may be necessary for us to secure additional working capital through loans or sales of common stock, and there can be no assurance that such funding will be available in the future. These conditions raise substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm has issued a "going concern" qualification as part of their report on our consolidated financial statements for the year ended December 31, 2015, which is contained elsewhere in this Annual Report on Form 10-K.

Capital Expenditures

For the year ended December 31, 2015, we have not incurred any material capital expenditures.

Commitments and Contractual Obligations

As a "smaller reporting company", the Company is not required to provide this information.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be considered material to investors.

Item 8. Financial Statements and Supplementary Data

See pages beginning with page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive officer and principal financial officer and effected by our Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (“GAAP”) and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

We believe that our processes and controls provide reasonable assurance for the consolidated financial statement preparation and presentation. However, because of inherent limitations in the size of the Company’s organization, our internal control over financial reporting may not prevent or detect misstatements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework.* Based on such assessment, our President (principal executive officer) and Chief Financial Officer (principal financial and accounting officer) determined that, as of December 31, 2015, our internal control over financial reporting is not effective.

Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including our President and Principal Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2015, the end of the period covered by this Annual Report on Form 10-K for the year ended December 31, 2015. Based on that evaluation, our President and Principal Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective during the 2015 fiscal year at a reasonable assurance level, as a result of material weaknesses primarily related to a lack of a sufficient number of personnel with appropriate training and experience in GAAP and a proper segregation of duties based on our size and available resources. These material weaknesses are due to an insufficient numbers of properly trained and experienced personnel available to independently test the design of our key controls at the financial activity level as well as the insufficient operations of information technology general controls in identifying a deficiency, or combination of deficiencies, which may result in a reasonable possibility that a more than an inconsequential misstatement of the consolidated financial statements would not be prevented or detected on a timely basis. While Management has reviewed the consolidated financial statements and underlying information included in this Annual Report on Form 10-K in detail and believes the procedures performed are adequate to fairly present our financial position, results of operations and cash flows for the periods presented in all material respects, the deficiency in accounting personnel that existed in fiscal year 2015 could have led to an error in the original accounting of the estimated fair market value of certain security instruments.

Remediation of Material Weaknesses.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (“PCAOB”) Auditing Standard No. 5), or combination of control deficiencies, that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. While management believes that the Company’s consolidated financial statements previously filed in the Company’s SEC reports have been properly recorded and disclosed in accordance with GAAP, we have designed and plan to implement, or in some cases have already implemented, the specific remediation initiatives described below:

We plan to retain additional accounting personnel and continue to enhance our internal finance and accounting organizational structure.

We have hired a third party consultant who has the required background and experience in accounting principles generally accepted in the United States of America and with SEC rules and regulations.

We are in the process of further enhancing the supervisory procedures to include additional levels of analysis and quality control reviews within the accounting and financial reporting functions.

We are in the process of strengthening our internal policies and enhancing our processes for ensuring consistent treatment and recording of reserve estimates, performing impairment analyses, and that validation of our conclusions regarding significant accounting policies and their application to our business transactions are carried out by personnel with an appropriate level of accounting knowledge, experience and training.

While we now believe that these material weaknesses are currently being addressed, we will continue our remediation efforts during fiscal year 2016.

Changes in Internal Control over Financial Reporting

No changes in the Company’s internal control over financial reporting have come to management’s attention during the Company’s last fiscal quarter that have materially affected, or are likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information as to the directors and executive officers of the Company is as follows:

Name	Position	Age	Director Since
John B. Strong (1)	Chief Executive Offier, Chairman of the Board	53	10/1/2015
Omar Akram (2)	Chief Financial Officer, Director	34	12/31/2013
Sal Aziz (3)	Director	40	1/12/2016

Background of Directors and Executive Officers

(1) Add John B. Strong Bio

(2) Omar Akram, 44, Vice President of Product & Technology was appointed to the Company's Board of Directors as of December 31, 2013 and on March 11, 2015 was appointed the position of President and Chief Financial Officer. Mr. Akram attended California State University, Long Beach and has fifteen years of experience in the technology industry. Mr. Akram has expertise in multiple life-cycle methodologies from conception to completion and a strong background in ad platforms, operations, targeting technology, product implementation, e-commerce, and overall site monetization strategy. Prior to joining the Company, Mr. Akram served as a Director of Product Development at Tactara from March 2012 until January 2013, where he primarily built out the Display RTB platform; Senior Product Development Manager at SpinMedia from December 2011 until April 2012, where he managed an Ad Production team consisting of developers and designers; and Senior Product/Project Development Manager at Epic Marketplace from April 2009 until November 2011, where he was responsible for successfully migrating the core Ad-Serving platform to a white labeled solution, deploying a data warehousing/ BI solution, and migrating the company's Ad-Serving platform to a cloud vendor Because of his long experience in the technology industry during which time he assisted with the development of technology products for the market we serve, we determined that Mr. Akram should be appointed to the Board of Directors.

(3) Others?

Family Relationships

There are no family relationships between any director or executive officer.

Involvement in Certain Legal Proceedings

None.

Compliance with Section 16(a) of The Securities Exchange Act of 1934

Except as set forth below, we believe that, during fiscal 2015, our Directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements. In making this statement, we have relied upon examination of the copies of Forms 3, 4 and 5, and amendments thereto, provided to Adaptive Medias, Inc. and the written representations of its directors and executive officers.

James Batmasian, a beneficial owner of greater than 10% of our issued and outstanding shares of common stock, failed to timely file one Form 3 and one Schedule 13D reporting his acquisition of 1,777,778 shares of common stock. Mr. Batmasian filed such Form 3 and Schedule 13D on October 23, 2014.

Audit Committee and Audit Committee Financial Expert

The Company is not a "listed company" under SEC rules and is therefore not required to have an audit committee comprised of independent directors. The Company has an audit committee that performs these main functions: (1) selection and oversight of the Company's independent accountant; (2) establishment of procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; and (3) engagement of outside advisors. The Company's Board of Directors has determined that at least one member of the Audit Committee, Mr. Mark Lambert is an "audit committee financial expert " within the meaning of the rules and regulations of the SEC. The Board of Directors believes that Mr. Mark Lambert has sufficient knowledge and experience necessary to fulfill the duties and obligations of the audit committee and is independent.

Stockholder Nominations

We do not now have, nor have we had in the past, procedures by which stockholders may recommend nominees to our Board of Directors.

Code of Ethics

A code of ethics relates to written standards that are reasonably designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to, the SEC and in other public communications made by an issuer;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- Accountability for adherence to the code.

The Company has not adopted a corporate code of ethics that applies to its executive officers, however it intends to do so in 2015.

Conflicts of Interest

Certain conflicts of interest may exist between the Company and its management, and conflicts may develop in the future. The Company has not established policies or procedures for the resolution of current or potential conflicts of interest between the Company, its officers and directors or affiliated entities. There can be no assurance that management will resolve all conflicts of interest in favor of the Company, and conflicts of interest may arise that can be resolved only through the exercise by management their best judgment as may be consistent with their fiduciary duties. Management will try to resolve conflicts to the best advantage of all concerned.

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Item 11. Executive Compensation

The following table sets forth summary information concerning compensation paid or accrued for services rendered to the Company in all capacities for the fiscal years 2015 and 2014 to (i) the Company's Chief Executive Officer, and (ii) the Company's other executives who were serving as executive officers at the end of fiscal year 2015.

Name and Principal Position	Year	Salary	Bonus	Stock Awards (3)	Option Awards (3)	All Other Compensation	Total
John B. Strong (1) Chief Executive Officer	2015	$72,000	$-	$ -	$-	$ -	$72,000
Omar Akram (2)	2015	$150,000	$-	$ -	$-	$ -	150,000
Chief Financial Officer, VP	2014	$122,917	$5,000	$ -	$17,620	$ -	145,537

1) Mr. Shareef became Chief Executive Officer in July 2013. His employment agreement called for a base salary of $10,000 per month for the period of January 1 through August 31, 2014. Starting on September 1, 2014 his base salary was increased to $18,333 per month. On January 21, 2014, the Company's Board of Directors, voting without Mr. Shareef, determined to amend (the "Amendment") Mr. Shareef's Executive Employment Agreement dated July 1, 2013 (the "Employment Agreement") in order to award him a bonus of $16,667 per month, payable on the first day of each month, from February through July 2014. On July 11, 2014, the Company's Board of Directors, determined Mr. Shareef eligible for an ongoing annual bonus of $30,000 based on achieving the second half of the year revenue goal, as set forth by the Board. In connection with this disposition, Mr. Shareef was awarded $16,325. Effective as of January 26, 2015, Qayed Shareef was terminated by the Board of Directors from his positions as Chief Executive Officer and Director of Adaptive Medias, Inc

(2) Mr. Akram's compensation is $12,500 per month. His employment agreement called for a base salary of $8,333 per month for the period of January 1 through July 15, 2014. Starting on July 16, 2014 his base salary was increased to $12,500 per month.

On July 26, 2013, he was granted the option to purchase 16,667 shares with an exercise price of $2.70 per share.

(3) These amounts reflect the value determined by the Company for accounting purposes for these awards with respect to the current fiscal year and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options). This column represents the aggregate grant date fair value of stock options and warrants granted during fiscal year 2015 and 2014 to each of the named executive officers, in accordance with FASB ASC Topic 718, *Compensation*. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The assumptions made when calculating the amounts

in this table are found in Note 7 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

The Company may change or increase salaries as the Company's profits and cash flow allow. The amount of any increase in salaries and compensation for existing officers has not been determined at this time and the number and dollar amount to be paid to additional management staff that will likely be employed have not been determined.

Outstanding Equity Awards at Fiscal Year End

The following table shows all outstanding equity awards held by our named executive officers at December 31, 2015.

Name	Number of securites underlying unexcercixed option (#) excercisable	Number of securities underlying unexcercised options (#) unexcercisable	Option exercise price	Option expiration date
John B. Strong	-	-	$ -	-
Omar Akram	-	-	$ -	-

(1) An option was granted to Mr. Strong on July 26, 2013 for 16,667 shares at an exercise price of $2.70 per share. Twenty-five percent of the options vest on the 1-year anniversary, and the remaining 75% vest monthly over 36 months, assuming continued employment with Adaptive Medias. Upon a change of control of the Company, 100% of the unvested options become immediately exercisable.

(2) An option was granted to Mr. Akram on July 26, 2013 for 16,667 shares at an exercise price of $2.70 per share. Twenty-five percent of the options vest on the 1-year anniversary, and the remaining 75% vest monthly over 36 months, assuming continued employment with Adaptive Medias. Upon a change of control of the Company, 100% of the unvested options become immediately exercisable.

(3) An option was granted to Mr. Akram on July 26, 2013 for 16,667 shares at an exercise price of $2.70 per share. Twenty-five percent of the options vest on the 1-year anniversary, and the remaining 75% vest monthly over 36 months, assuming continued employment with Adaptive Medias. Upon a change of control of the Company, 100% of the unvested options become immediately exercisable.

Director Compensation

The following table sets forth summary information concerning compensation paid or accrued for services rendered to the Company in all capacities for 2014 fiscal year by the Company's directors.

Position	Year	Fees Earned or Paid in Cash	Stock Awards (3)	Option Awards (3)	All Other Compensation	Total
John B. Strong (1) Chief Executive Officer Chairman of the Board	2015	$-	$ -	$ -	$ -	$-
Omar Okarm (2) Chief Financial Officer Director	2015	$-	$ -	$ -	$ -	$-
Bruce Wiseman Director	2015	$-	$ -	$ -	$ -	$-
Mark Lambert Director	2015	$-	$ -	$ -	$ -	$-
Norman Brodeur Director	2015	$143,250	$ -	$ -	$ -	$143,250
Jim Waltz Director	2015	$-	$ -	$ -	$ -	$-

(1) Effective May 7, 2014, Bruce Wiseman was appointed by the Company's Board of Directors as a member thereof. The monthly salary for the services rendered is $7,500. On July 1, 2014 he was granted 33,334 shares of restricted stock. On September 1, 2014 he was granted an option to purchase 16,667 shares of common stock with an exercise price of $2.14 per share. The stock and the option vest in equal monthly increments over a period of one year, assuming continued engagement as a Director with Adaptive Medias. Upon a change of control of the Company, 100% of the unvested options become immediately exercisable.

(2) Effective September 1, 2014, Mark Lambert was appointed by the Company's Board of Directors as a member thereof and as Chairman of the Audit Committee. The quarterly salary for the services rendered is $2,500. September 1, 2014 he was granted 33,334 shares of restricted stock .On September 1, 2014 he was granted the Option to purchase 16,667 shares of common stock with an exercise price of $2.14 per share. The stocks and option vest in equal monthly increments over a period of one year, assuming continued engagement as a Director with Adaptive Medias. Upon a change of control of the Company, 100% of the unvested stock and options become immediately exercisable.

(3) These amounts reflect the value determined by the Company for accounting purposes for these awards with respect to the current fiscal year and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options). This column represents the aggregate grant date fair value of stock options and warrants granted during the 2014 fiscal year to each of the directors, in accordance with FASB ASC Topic 718, *Compensation*. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The assumptions made when calculating the amounts in this table are found in Note 7 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information relating to the beneficial ownership of the Company's common stock by those persons beneficially holding more than 5% of the Company's common stock, by the Company's directors and named executive officers, and by all of the Company's Directors and executive officers as a group as of March 26, 2016.

Beneficial ownership and percentage ownership are determined in accordance with the rules of the SEC. Under these rules, beneficial ownership generally includes any shares as to which the individual or entity has sole or shared voting power or investment power and includes any shares that an individual or entity has the right to acquire beneficial ownership of on or before May 26, 2016, which is 60 days from March 26, 2016, through the exercise of any option, warrant, conversion privilege or similar right. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock that could be issued upon the exercise of outstanding options and warrants that are exercisable on or before May 26, 2016 are considered to be outstanding. These shares, however, are not considered outstanding as of March 26, 2016 when computing the percentage ownership of each other person.

To our knowledge, except as indicated in the footnotes to the following table and subject to state community property laws where applicable, all beneficial owners named in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them. Percentage of ownership is based on our shares of common stock outstanding as of March 26, 2016.

Name and Address of Benefical Owner	Amount and Nature of Benefical Ownership	Percent of Class
Holders of Greater Than 5%:		
Jim Batmasian Investments Limited		
Onescreen Partners Inc.		
Onescreen Partners B Inc.		
Onescreen Inc.		
Directors and Named Executive Officers:		
Omar Akram, CFO, Director		
Bruce Wiseman		
Mark Lambert		
Bryan H. Nguyen		
John. B. Strong		

Omar Akram, President, CFO, Vice President Product & Technology and Director (1): Mr. Akram's beneficial ownership includes options to purchase 16,667 shares at an exercise price of $2.70 per share.

Bruce Wiseman, director (2): Mr. Wiseman's beneficial ownership includes options to purchase 16,667 shares at an exercise price of $2.14 per share and restricted stock grants for 25,000 shares.

Mark Lambert, Director (3): Mr. Lambert's beneficial ownership includes options to purchase 16,667 shares at an exercise price of $2.14 per share and restricted stock grants for 25,000 shares.

Bryan H. Nguyen, Chief Technology Officer (4): Mr. Nguyen's beneficial ownership includes options to purchase 3,334 shares at an exercise price of $2.70 per share and option to purchase 33,334 shares at an exercise price of $2.55 per share.

Equity Compensation Plan Information

A description of the Company's Amended and Restated 2010 Stock Incentive Plan is provided in Item 5 under the heading "Equity Compensation Plan Information" and is incorporated herein by reference.

Changes in Control Arrangements

Upon a change of control, some employee stock options may be subject to accelerated vesting.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Other than the employment compensation described above in “Executive Compensation” and the transactions described below, since January 1, 2014 there has not been, nor is there currently proposed, any transaction or series of similar transactions to which the Company is or will be a party in which the amount involved exceeds the lesser of $120,000 or one percent of the average of the Company’s total assets at year end for the last two completed fiscal years; and in which any related person of Adaptive Medias, Inc. had or will have a direct or indirect material interest, as contemplated by Item 404(a) of Regulation S-K under the Exchange Act.

On April 1, 2014, the Company entered into an Independent Contractor Master Agreement with Bruce Wiseman, director of the Company, pursuant to which Mr. Wiseman provides various operational, analytical and decision-support consulting services to the Company at an hourly rate of $300 per hour, 50% of which is payable monthly in cash and 50% of which is payable quarterly in the form of restricted stock. During 2014, $250,721 in cash compensation was earned by Mr. Wiseman pursuant to this agreement and 77,168 shares of common stock were issued to Mr. Wiseman at a value on the grant date of $242,985. The agreement may be terminated by either party upon 2 weeks’ notice.

On October 1, 2014, the Company entered into a Consulting Agreement with Norman Brodeur, a beneficial owner of greater than 10% of the Company’s outstanding stock, pursuant to which Mr. Brodeur provides management and business consulting services, primarily in connection with identifying and evaluating prospective strategic business opportunities and alliances and managing prospective investor relations in exchange for a fee of $16,000 per month. The agreement may be terminated by either party upon 30 days’ notice.

Any new items here??

Director Independence

Our common stock is currently quoted on the OTC Bulletin Board, or the OTCBB, and OTCQB. Since neither the OTCBB nor the OTCQB has its own rules for director independence, we use the definition of independence established by the NYSE Amex (formerly the American Stock Exchange). Under applicable NYSE Amex rules, a director will only qualify as an “independent director” if, in the opinion of our Board, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. We periodically review the independence of each director. Pursuant to this review, at this time one of our directors, is independent.

Item 14. Principal Accounting Fees and Services

The following table sets forth fees billed to us by our independent auditors for the years ended December 31, 2015 and 2014 for (i) services rendered for the audit of our annual consolidated financial statements and the review of our quarterly financial statements, (ii) services rendered that are reasonably related to the performance of the audit or review of our consolidated financial statements that are not reported as Audit Fees, and (iii) services rendered in connection with tax preparation, compliance, advice and assistance.

	2015	2014
Audit fees	$31,500	$78,575
Audit-related fees	37,600	-
Tax fees	-	1,100
All other fees	-	$17,320
Total fees	$69,100	$96,995

Audit Fees: Represents fees for professional services provided for the audit of our annual consolidated financial statements, services that are performed to comply with generally accepted auditing standards, and review of our consolidated financial statements included in our quarterly reports and services in connection with statutory and regulatory filings.

Audit-Related Fees: Represents the fees for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements.

The Audit Committee of the Company and approves all auditing services and the terms thereof and non-audit services (other than non-audit services published under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Pubic Company Accounting Oversight Board) to be provided to us by the independent auditor; provided, however, the pre-approval requirement is waived with respect to the provisions of non-audit services for us if the “de minimus” provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied.

Tax Fees: This represents professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees: Our auditor was paid $17,320 in other fees for professional services during the fiscal years ended December 31, 2014.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Exhibit Number	Description
3.1	Articles of Incorporation filed with Secretary of State of the State of Nevada on August 7, 2007 (1)
3.2	Bylaws (1)
	Certificate of Amendment to Articles of Incorporation filed with the Nevada Secretary of State on March 4, 2010 (2)
3.4	Certificate of Amendment to Articles of Incorporation filed with the Nevada Secretary of State on April 12, 2012 (3)
5.1	2,000,000 shares of Common Stock registered pursuant to 2013 Consultant Stock Plan (4)
10.1	Agreement and Plan of Merger, dated December 28, 2012 (5)
10.2	Securities Purchase Agreement and Issuance of Convertible Notes issued May 21, 2013 (6)
10.3	Agreement and Plan of Merger with Adaptive Medias, Inc., dated July 1, 2013 (7)
10.4	Agreement and Plan of Merger with Adaptive Medias, Inc., dated December 4, 2013 (8)
10.5	$100,000 Secured Promissory Note, dated January 21, 2014 (9)
10.6	Stock Pledge Agreement for 18,628,900 shares, dated January 21, 2014 (9)
10.7	Stock Purchase Agreement whereby Kasian Franks purchased 10,000,000 shares of the Company, dated January 8, 2010 (10)
10.8	Stock Purchase Agreement by and among the Company, OneScreen, Inc. and Media Graph, Inc., dated as of June 30, 2014 (11)
99.1	2013 Consultant Stock Plan, dated October 5, 2013 (4)
99.2	Amended and Restated 2010 Stock Incentive Plan, dated October 5, 2012 (4)
24.1	Powers of Attorney*
31.1	Certification of the Company's Principal Executive Officer pursuant to 15d-15(e), under the Securities and Exchange Act of 1934*
31.2	Certification of the Company's Principal Financial Officer pursuant to 15d-15(e), under the Securities and Exchange Act of 1934*
32.1	Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

*Filed herewith

(1) Filed with the SEC on October 3, 2008 as an exhibit to the Registrant's registration statement on Form S-1, which exhibit is incorporated herein by reference.

(2) Filed with the SEC on April 16, 2012 as an exhibit to the Registrant's current report on Form 10-K, which exhibit is incorporated herein by reference.

(3) Filed with the SEC on April 10, 2013 as an exhibit to the Registrant's annual report on Form 10-K, which exhibit is incorporated herein by reference.

(4) Filed with the SEC on February 25, 2013 as an exhibit to the Registrant's registration statement on Form S-8, which exhibit is incorporated herein by reference.

(5) Filed with the SEC on January 7, 2013 as an exhibit to the Registrant's current report on Form 8-K, which exhibit is incorporated herein by reference.

(6) Filed with the SEC on May 28, 2013 as an exhibit to the Registrant's current report on Form 8-K, which exhibit is incorporated herein by reference.

(7) Filed with the SEC on July 2, 2013 as an exhibit to the Registrant's current report on Form 8-K, which exhibit is incorporated herein by reference.

(8) Filed with the SEC on December 9, 2013 as an exhibit to the Registrant's current report on Form 8-K, which exhibit is incorporated herein by reference.

(9) Filed with the SEC on January 21, 2014 as an exhibit to the Registrant's current report on Form 8-K, which exhibit is incorporated herein by reference.

(10) Filed with the SEC on February 1, 2010 as an exhibit to the Registrant's current report on Form 8-K, which exhibit is incorporated herein by reference.

(11) Filed with the SEC on July 17, 2014 as an exhibit to the Registrant's current report on Form 8-K, which is incorporated herein by reference.

(a) The following documents are filed as part of this report:

1. Financial Statements

See Index to Consolidated Financial Statements at Item 8 herein.

2. Financial Statement Schedules

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

ADAPTIVE MEDIAS, INC.
(Registrant)

April 14, 2016 By:*/s/ John B. Strong*
John B. Strong

President and Chief Executive Officer
(Principal Executive Officer)

By:*/s/ Omar Akram*
Omar Akram

Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

April 14, 2016	By:	*/s/ John B. Strong* John B. Strong President and Chief Executive Office and Director
	By:	*/s/ Omar Akram* Omar Akram Chief Financial Officer and Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Stockholders of Adaptive Medias, Inc.:

We have audited the accompanying consolidated balance sheet of Adaptive Medias, Inc. and subsidiaries (the Company) as of December 31, 2014, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended. Adaptive Medias, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adaptive Medias, Inc. as of December 31, 2014, and the results of their operations and their cash flows for year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred losses from operations, had negative working capital of $577,440 and an accumulated deficit of $40,172,716 at December 31, 2014, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

RAMIREZ JIMENEZ INTERNATIONAL CPAs

Irvine, California

March 26, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Stockholders of Adaptive Medias, Inc.:

We have audited the accompanying consolidated balance sheet of Adaptive Medias, Inc. and subsidiaries (the Company) as of December 31, 2014, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended. Adaptive Medias, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adaptive Medias, Inc. as of December 31, 2014, and the results of their operations and their cash flows for year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred losses from operations, had negative working capital of $577,440 and an accumulated deficit of $40,172,716 at December 31, 2014, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

RAMIREZ JIMENEZ INTERNATIONAL CPAs

Irvine, California

March 26, 2015

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ADAPTIVE MEDIAS, INC.

Condensed Consolidated Balance Sheet

(Unaudited)

	December 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash	$359	$2,255,784
Accounts receivable, net	1,619,451	1,754,893
Prepaid expenses	845,000	61,478
Total Current Assets	2,464,810	4,072,155
Furniture and fixtures, net	46,132	72,476
Intangible assets, net	295,405	8,018,170
Deposits	17,114	34,843
Total Assets	$2,823,461	12,197,644
Liabilities and Stockholders’ Equity (Deficit)		
Current Liabilities		
Accounts payable and accrued expenses	$3,746,314	$4,686,991
Convertible note payable, net	675,172	-
Related party note payable	46,795	-
Derivative liability	1,481,278	-
Total Liabilities	5,949,559	4,686,991
Stockholders’ Equity (Deficit)		
Preferred stock, $0.001 par value, 50,000,000 shares authorized; none outstanding	-	-
Common stock, $0.001 par value, 300,000,000 shares authorized; 22,923,526 and 13,869,771 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	22,014	13,866
Additional paid-in capital	52,611,343	47,669,503
Accumulated deficit	(55,759,455)	(40,172,716)
Total Stockholders’ Equity (Deficit)	(3,126,098)	7,510,653
Total Liabilities and Stockholders’ Equity (Deficit)	$2,823,461	$12,197,644

The accompanying notes are an integral part of these consolidated financial statements.

ADAPTIVE MEDIAS, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	For the years ended December 31, 2015	2014
Revenue	$4,654,489	$5,075,226
Cost of revenue	3,891,930	3,940,350
Gross Profit	762,559	1,134,876
Operating expenses:		
Legal and professional fees	1,341,127	1,506,016
Research and development	174,443	1,381,873
General and administrative expenses	3,927,620	4,044,468
Selling expenses	367,025	1,712,328
Depreciation and amortization	2,453,696	1,485,384
Stock compensation expense	2,704,989	1,206,852
Impairment of intangibles	5,458,229	8,604,315
Loss of disposal of equipment	-	643
Total operating expenses	16,427,129	19,941,879
Loss from operations	(15,664,570)	(18,807,003)
Other income (expense):		
Interest expense	(680,230)	(42,171)
Gain (loss) on extinguishment of debt	-	(19,379)
Change in fair value of derivative liability	(131,273)	-
Other income	889,334	18,827
Total other income (expense)	77,831	(42,723)
Net income (loss)	$(15,586,739)	$(18,849,726)
Basic and dilutive loss per common share	$(0.88)	$(2.04)
Weighted average number of common shares outstanding - basic and diluted	17,772,497	9,233,075

The accompanying notes are an integral part of these consolidated financial statements.

ADAPTIVE MEDIAS, INC.

Condensed Consolidated Statement of Stockholders' Equity (Deficit)

	Common Stock		Additional Paid-In	Common Stock	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Payable	Deficit	Equity
Balance January 1, 2014	4,963,022	$4,963	$22,943,002	$8,625	$(21,322,990)	$1,633,600
Shares issued for services	555,309	549	2,144,477	-	-	2,145,026
Shares issued for merger and acquisition	5,000,000	5,000	14,995,000	-	-	15,000,000
Shares issued for cash	3,239,780	3,240	7,286,260	-	-	7,289,500
Common stock payable	-	-	-	(8,625)	-	(8,625)
Common shares issued for conversion of debt	46,667	47	104,953	-	-	105,000
Common shares issued for settlement of accounts payable	64,993	67	195,811	-	-	195,878
Net loss	-	-	-		(18,849,726)	(18,849,726)
Balance December 31, 2014	13,869,771	$13,866	$47,669,503	$-	$(40,172,716)	$7,510,653
Shares issued for services	6,889,094	5,983	2,688,164	-	-	2,694,147
Shares issued for cash	2,164,661	2,165	1,997,835	-	-	2,000,000
Stock option expense	-	-	255,841	-	-	255,841
Net loss	-	-	-	-	(15,586,739)	(15,586,739)
Balance December 31, 2015	22,923,526	$22,014	$52,611,343	$-	$(55,759,455)	$(3,126,098)

The accompanying notes are an integral part of these consolidated financial statements.

ADAPTIVE MEDIAS, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Years Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	$(15,586,739)	$(18,849,726)
Adjustments to reconcile from net loss to net cash used in operating activities:		
Depreciation and amortization	2,453,696	1,486,027
Allowance for bad debts	501,177	326,398
Loss on extinguishment of debt	-	19,379
Stock compensation for services	2,949,988	2,145,026
Impairment of intangibles	-	8,604,315
Amortization of debt discount	490,171	-
Change in fair value of derivative liability	131,274	-
Changes in operating assets and liabilities		
Accounts receivable	(365,735)	(1,471,298)
Prepaid expenses	(783,522)	64,843
Deposits	17,729	(29,050)
Accounts payable and accrued expenses	(940,677)	3,232,311
Net cash used in operating activities	(11,132,638)	(4,471,775)
Cash flows from investing activities:		
Purchases of property and equipment	(4,859)	(14,079)
Purchases and development of intangibles	5,300,273	(286,425)
Net cash used in investing activities	5,295,413	(300,504)
Cash flows from financing activities:		
Proceeds from notes payable	1,810,005	-
Repayments of notes payable	(228,205)	(275,000)
Proceeds from issuance of common stock	2,000,000	7,280,875
Net cash provided by financing activities	3,581,800	7,005,875
Net increase (decrease) in cash	(2,255,425)	2,233,596
Cash, beginning of period	2,255,784	22,188
Cash, end of period	$359	$2,255,784
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$96,258	$42,171
Income taxes	$-	$-
Supplemental disclosure of non-cash investing and financing activities:		

Increase in prepaid common stock compensation	$-	$346,667
Common stock issued to settle accounts payable	$-	$195,878
Issuance of common stock for repayment of convertible note payable	$-	$105,000
Common stock issued for merger/acquisition consideration	$-	$15,000,000

The accompanying notes are an integral part of these consolidated financial statements.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Note 1 - Organization and Nature of Business

Adaptive Medias, Inc., formerly known as "Mimvi, Inc." and prior to that as "Fashion Net, Inc." ("Adaptive Medias" or the "Company"), was formed on August 7, 2007 under the laws of the State of Nevada. The Company, through its core content monetization platform and technology, provides app developers, publishers and video content developers one of the only end-to-end monetization platforms driven by programmatic algorithms. The Company provides these unique capabilities to monetize content efficiently across multiple marketing channels, including mobile, video and online display advertising.

Pursuant to votes of the majority of the Board of Directors and shareholders, effective on November 6, 2013, the Company changed its name to Adaptive Medias, Inc. in order to better and more fully demonstrate the Company's emphasis on providing a supply-side platform for mobile, video and online display advertising. In connection with the name change, effective on November 6, 2013, the Company's ticker symbol was changed to ADTM.

The Company is a programmatic audience and content monetization company for website owners, app developers and video publishers who want to more effectively optimize content through advertising. Adaptive Medias provides a foundation for publishers and developers looking to engage brand advertisers through a multi-channel approach that delivers integrated, engaging and impactful ads across multiple devices. The Company meets the needs of its publishers with an emphasis on maintaining user experience, while delivering timely and relevant ads through its multi-channel ad delivery and content platform.

Media Graph Transaction

On July 15, 2014, the Company executed a Stock Purchase Agreement (the "Agreement"), effective June 30, 2014, with OneScreen, Inc., a Delaware corporation ("OneScreen"), Media Graph, Inc., a Nevada corporation and OneScreen's spun-off former subsidiary ("Media Graph"), and the shareholders of Media Graph (the "Selling Shareholders") whereby the Company acquired certain assets of OneScreen, which immediately prior thereto were held by Media Graph, in exchange for 5,000,000 shares of the Company's common stock (the "Acquisition"). On July 15, 2014, the parties to the Agreement executed the First Amendment to the Stock Purchase Agreement (the "Amendment"), which (i) amended the effective date of the Agreement to July 15, 2014, (ii) limited the scope of Section 5.04 of the Agreement to apply only to the Restricted Selling Shareholders, as defined in the Amendment, and (iii) added the Selling Shareholders as a signatory to the Agreement.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition and the allocation of the purchase price to the fair value of net assets acquired:

Fixed assets	$82,112
Intangibles	6,320,000
Goodwill	8,597,888
Total purchase price allocated	$15,000,000

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ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in the United States of America, and pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments, consisting of normal recurring adjustments, which management believes are necessary to fairly present the financial position, results of operations and cash flows of the Company as of and for the years ended December 31, 2015 and 2014.

On April 14, 2014, the shareholders of the Company authorized its Board of Directors to effectuate a reverse stock split, in the Board's discretion (the "Reverse Stock Split"), which was ultimately declared effective by the Board of Directors as of the close of business on July 14, 2014. As a result of the Reverse Stock Split, every thirty (30) issued and outstanding shares of the Company's common stock was changed and converted into one (1) share of common stock. Following the Reverse Stock Split, the Company continues to have 300,000,000 shares of common stock authorized for issuance, but the number of outstanding shares of the Company's common stock was reduced from 192,364,735 shares to 6,412,225 shares. As required by the Financial Accounting Standards Board's (FASB") Accounting Standards Codification ("ASC") Topic 260-10-55-12 "*Earnings per Share*" all share and per-share computations presented in these condensed consolidated financial statements are based on the new number of shares after the Reverse Stock Split.

Principles of Consolidation

The consolidated financial statements include the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Going Concern

The Company's unaudited condensed consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. As of December 31, 2015, the Company had an accumulated deficit of $48,244,942. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease or reduce its operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. The Company will continue to raise funds through the sale of its equity securities or issuance of notes payable to obtain additional operating capital. The Company is dependent upon its ability, and will continue to attempt, to secure additional equity and/or debt financing until the Company can earn revenue and realize positive cash flow from its operations. There are no assurances that the Company will be successful in earning revenue and realizing positive cash flow from its operations. Without sufficient financing it would be unlikely that the Company will continue as a going concern.

Based on the Company's current rate of cash outflows, cash on hand and proceeds from the prior sale of equity securities and issuance of convertible notes, management believes that its current cash will not be sufficient to meet the anticipated cash needs for working capital for the next 12 months. The Company's plans with respect to its liquidity issues include, but are not limited to, the following:

1) Continue to issue restricted stock for compensation due to consultants and for its legacy accounts payable in lieu of cash payments; and

2) Seek additional capital in the public equity markets to continue its operations as it rolls out its current products in development, responds to competitive pressures, develops new products and services, and supports new strategic partnerships. The Company is currently evaluating additional debt or equity financing opportunities and may execute them when appropriate. However, there can be no assurances that the Company can consummate such a transaction, or consummate a transaction at favorable pricing.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and achieve profitable operations. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Reclassifications

Certain reclassifications have been made to amounts in prior periods to conform to the current period presentation. All reclassifications have been applied consistently to the periods presented.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue when earned and related costs of sales and expenses when incurred. The Company recognizes revenue in accordance with FASB ASC Topic 605-10-599, *Revenue Recognition, Overall, SEC Materials* ("Section 605-10-599"). Section 605-10-599 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured. Cost of revenue consists of the cost of the purchased goods and labor related to the corresponding sales transaction. When a right of return exists, the Company defers revenues until the right of return expires. The Company recognizes revenue from services at the time the services are completed.

Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable primarily consist of trade receivables. The Company records an allowance for doubtful accounts that is based on historical trends, customer knowledge, any known disputes, and the aging of the accounts receivable balances combined with management's estimate of future potential recoverability. Receivables are written off against the allowance after all attempts to collect a receivable have failed. The Company believes its allowance for doubtful accounts as of December 31, 2015 and 2014 is adequate, but actual write-offs could exceed the recorded allowance.

Intangible assets

Intangible assets consisting of websites, customer lists, content and publisher relationships, developed technology and trade names are stated at cost. Expenditures of costs incurred to renew or extend the term of a recognized intangible asset and materially extend the useful life are capitalized. When assets are sold or otherwise written off due to asset impairment, the cost and the related accumulated amortization are removed from the accounts and any realized gain or loss is recognized at that time. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Intangible Assets – Goodwill

The Company's goodwill associated with its acquisitions is not amortized. Management reviews goodwill for impairment at least on an annual basis and at other times when existing conditions raise substantial questions about their recoverability. An impairment charge is recognized in the period which management determines that the assets are impaired. Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows that are expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

Internal Use Software Development Costs

The Company incurs costs to develop software for internal use. The Company expenses all costs that relate to the planning and post implementation phases of development as research and development expense. The Company capitalizes costs when preliminary efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and will be used as intended. Costs incurred for enhancements that are expected to result in additional material functionality are capitalized.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Convertible Debt and Warrants Issued with Convertible Debt

Convertible debt is accounted for under the guidelines established by ASC 470, *Debt with Conversion and Other Options* and ASC 740, *Beneficial Conversion Features*. We record a beneficial conversion feature ("BCF") when convertible debt is issued with conversion features at fixed or adjustable rates that are below market value when issued. If, however, the conversion feature is dependent upon a condition being met or the occurrence of a specific event, the BCF will be recorded when the related contingency is met or occurs. The BCF for the convertible instrument is recorded as a reduction, or discount, to the carrying amount of the convertible instrument equal to the fair value of the conversion feature. The discount is then amortized to interest over the life of the underlying debt using the effective interest method.

We calculate the fair value of warrants issued with the convertible instruments using the Black-Scholes valuation method, using the same assumptions used for valuing employee options for purposes of ASC 718, *Compensation – Stock Compensation*, except that the contractual life of the warrant is used. Under these guidelines, we allocate the value of the proceeds received from a convertible debt transaction between the conversion feature and any other detachable instruments (such as warrants) on a relative fair value basis. The allocated fair value is recorded as a debt discount or premium and is amortized over the expected term of the convertible debt to interest expense. For a conversion price change of a convertible debt issue, the additional intrinsic value of the debt conversion feature, calculated as the number of additional shares issuable due to a conversion price change multiplied by the previous conversion price, is recorded as additional debt discount and amortized over the remaining life of the debt.

For modifications of convertible debt, we record the modification that changes the fair value of an embedded conversion feature, including a BCF, as a debt discount which we amortize to interest expense over the remaining life of the debt. If modification is considered substantial (i.e. greater than 10% of the carrying value of the debt), an extinguishment of debt is deemed to have occurred, resulting in the recognition of an extinguishment gain or loss.

Fair Value of Financial Instruments

We utilize ASC 820-10, Fair Value Measurement and Disclosure, for valuing financial assets and liabilities measured on a recurring basis. Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of our Company. Unobservable inputs are inputs that reflect our Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of December 31, 2015 and December 31, 2014, we did not have any level 3 assets or liabilities. As of December 31, 2015, the derivative liabilities are considered level 2 items.

Net Income (Loss) Per Share

Basic earnings per share is calculated by dividing income available to common stockholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share is computed using the weighted average number of common and dilutive common share equivalents outstanding during the period.

Stock Based Compensation

The Company recognizes stock-based compensation in accordance with FASB ASC Topic 718 *Stock Compensation*, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to an employee stock purchase plan based on the estimated fair values.

For non-employee stock-based compensation, the Company applies FASB ASC Topic 505 *Equity-Based Payments to Non-Employees*, which requires stock-based compensation related to non-employees to be accounted for based on the fair value of the related stock or options or the fair value of the services on the grant date, whichever is more readily determinable in accordance with FASB ASC Topic 718.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Income Taxes

The Company accounts for its income taxes in accordance with Income Taxes Topic of the FASB ASC 740, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

The Company also follows ASC 740-10-25, which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with ASC Topic 740, "*Accounting for Income Taxes*". ASC 740-10-25 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company believes it is no longer subject to income tax examinations for the years prior to 2011.

Recently Issued Accounting Pronouncements

In May 2014, the FASB and the International Accounting Standards Board jointly issued ASU No. 2014-9, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU, as amended, is effective for public entities for annual and interim periods beginning after December 15, 2017. Early adoption is not permitted under U.S. GAAP and retrospective application is permitted, but not required. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statement-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which provides guidance under U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The ASU is effective for all entities and for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The adoption of ASU No. 2014-15 is not expected to have a significant impact on the Company's consolidated financial statements and related disclosures.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Note 3 – Intangible Assets

The following table summarizes the intangible assets as of December 31, 2015 and December 31, 2014.

	December 31, 2015	December 31, 2014
Websites	$11,297	$11,297
Customer lists	306,505	306,505
Developed technology	3,995,098	4,883,034
Trade names	71,235	85,607
	4,384,135	5,286,443
Less: accumulated amortization	$(4,088,730)	$(1,666,237)
Identifiable intangibles, net	295,405	3,620,206
Goodwill	-	4,397,964
Intangible assets, net	$295,405	$8,018,170

Amortization commences when the software for internal use is ready for its intended use and the amortization period is the estimated useful life of the related asset, which is generally three years. Amortization expense totaled $2,422,492 and $1,460,267 for the years ended December 31, 2015 and 2014, respectively.

During 2014, the Company determined that the intangible assets associated with the Adaptive Media transaction were partially impaired and $87,207 was recognized as impairment of intangibles in the accompanying 2014 consolidated statement of operations as its fair value is less than its carrying book value. The goodwill associated with this transaction was also impaired in the amount of $61,892.

During 2014, the Company determined that the intangible assets associated with the Media Graph transaction were partially impaired and $2,292,599 was recognized as impairment of intangibles in the accompanying 2014 consolidated statement of operations, as their fair value is less than their carrying book value. The goodwill associated with this transaction was also impaired for $6,162,617.

During 2015, the Company determined that the intangible assets and goodwill associated with the Adaptive Media transaction were impaired and $14,372 and $1,923,795 was recognized as impairment of intangibles in the accompanying 2015 consolidated statement of operations as its fair value is less than its carrying book value. .

During 2015, the Company determined that the intangible assets and goodwill associated with the Media Graph transaction were impaired and $1,045,892 and $2,189,272 was recognized as impairment of intangibles in the accompanying 2015 consolidated statement of operations, as their fair value is less than their carrying book value.

During 2015, the Company determined that the goodwill associated with the Ember transaction was impaired and $284,898 was recognized as impairment of intangibles in the accompanying 2015 consolidated statement of operations, as the fair value is less than their carrying book value.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Note 4 – Income Taxes

The Company had net operating loss carryforwards ("NOLs") as of December 31, 2015 of approximately $35.5 million for federal tax purposes and approximately $34.7 million for state tax purposes, portions of which are expiring at various years through 2034. The Company may be able to utilize its NOLs to reduce future federal and state income tax liabilities. However, these NOLs are subject to various limitations under Internal Revenue Code ("IRC") Section 382. IRC Section 382 limits the use of NOLs to the extent there has been an ownership change of more than 50 percentage points. In addition, the NOL carryforwards are subject to examination by the taxing authority and could be adjusted or disallowed due to such exams. Although the Company has not undergone an IRC Section 382 analysis, it is possible that the utilization of the NOLs could be significantly limited.

Components of net deferred tax assets (liabilities), including a valuation allowance, are as follows at December 31:

	2015	2014
Net operating loss carryforwards	$16,371,085	$14,119,000
Stock-based compensation	5,147,313	3,972,000
Other	836,029	124,000
Valuation allowance	(22,354,427)	(18,215,000)
Total deferred tax assets	$-	$-

The change in the valuation allowance for deferred tax assets as of December 31, 2015 and 2014 was $xxxx and $11,164,000, respectively. In assessing the recovery of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversals of future deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. As a result, management determined it was more likely than not the deferred tax assets would not be realized as of December 31, 2015 and 2014, and recorded a full valuation allowance.

Reconciliation between the statutory rate and the effective tax rate is as follows at December 31, 2015:

	2015	2014
Tax provision at statutory federal rate	34.0 %	34.0%
Effects of:		
State income tax expense, net of federal benefit	4.0 %	4.0 %
Change in valuation allowance	-28.0%	(27 %)
Permanent differences	-10.0%	(11 %)
Other	0.0 %	(0 %)
Effective tax rate	0.0 %	(0 %)

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ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Note 5 – Notes Payable

On February 10, 2014, the Company settled all obligations under a previously issued convertible note payable and cancelled the 133,334 warrants in exchange for: (i) the conversion of $105,000 of note principal at $2.25 per share, for a total of 46,667 shares of Company common stock, pursuant to the terms of the convertible note; and (ii) a cash payment of $275,000. The terms of this settlement were memorialized in the Settlement and General Release Agreement. This agreement settled all outstanding obligations with the note holder. In connection with this transaction, the Company recognized a loss on the settlement of the debt in the amount of $79,014 in its operating results for the year ending December 31, 2014.

Issuance and Repayments of Convertible Promissory Notes

On July 14, 2015, the Company entered into a convertible promissory note with John Strong, the Company's current Chief Executive Officer, in the amount of $100,000. The principal amount plus 5% interest was to be repaid by July 28, 2015. A default provision is included in the note to which the holder may elect to convert the entire unpaid balance including interest into the Company's common stock at a rate equal to 50% of the closing bid price for the trading day immediately preceding the date of the conversion. The Company made payments on July 28, 2015 and August 13, 2015, in full satisfaction of the note.

On July 14th, 2015, the Company entered into a convertible promissory note with John Strong in the amount of $100,000. The principal amount plus 10% interest was to be repaid by September 12t, 2015. A default provision is included in the note to which the holder may elect to convert the entire unpaid balance including interest into the Company's common stock at a rate equal to 50% of the closing bid price for the trading day immediately preceding the date of the conversion. The Company made payment on September 11, 2015 in full satisfaction of the note.

In September 2015, the Company raised $1,250,000 in gross proceeds from the sale of a discount convertible debenture offering in the aggregate principal amount of $1,470,588 with a maturity date of September 4, 2016. The noteholders also received warrants to purchase 3,676,470 shares of common Stock, exercisable at $.50 per share through September 3, 2020. The placement agent received $100,000 in cash. The total principal amount of the debentures is issued with a 117.65% premium to the purchase price. The debentures have a maturity date of September 3, 2016, until which the debentures may be convertible any time into shares of the Company's common stock at a conversion price equal to $0.30 per share.

The holders of these September 2015 discount convertible debentures also received warrants to purchase an aggregate of 3,676,470 shares of the Company's common stock, par value $0.0001 per share, for an exercise price of $0.50 per share for a period of five (5) years beginning March 3, 2016, or six (6) months from the date of issuance. At any time while these warrants are outstanding, the Company shall sell or grant any option to purchase, or sell or grant any right to reprice, reset, "ratchet down" be entitled to receive shares of Common Stock at an effective price per share that is less than the Exercise Price. According to ASC 815, the Company recorded a derivative liability and valued the warrant using a multi-nomial model. The following were used to determine to the value: volatility of 168.71%, risk free rate of .28%. The Company valued the warrants upon issuance for $975,985, then revalued at December 31, 2015, which resulted in a gain of $264,026.

On October 7, 2015, the Company entered into a short term note payable with John B. Strong in exchange for $75,000. The note bears interest at 6% per annum and is due and payable on January 7, 2016.

On October 26, 2015, the Company entered into a convertible promissory note with an outside investor for a principal amount of $245,000 in exchange for $200,000 with a maturity date of February 25, 2016. The note is convertible at a conversion price of 60% of the lowest trading price of the Company's common stock for the previous 20 trading days prior to the conversion date. The note bears no interest unless an event of default occurs under which it would bear an interest rate of 22% per annum.

On November 13, 2015, the Company entered into a convertible promissory note with an outside investor for a principal amount of $110,000 in exchange for $100,000 with a maturity date of May 31, 2016. The note is convertible at a conversion price of 60% of the lowest trading price of the Company's common stock for the previous 20 trading days prior to the conversion date. The note bears no interest unless an event of default occurs under which it would bear an interest rate of 22% per annum.

The holder of the November 2015 discount convertible debenture also received warrants to purchase an aggregate of 294,118 shares of the Company's common stock, par value $0.0001 per share, for an exercise price of $0.50 per share for a period of five (5) years. At any time while these warrants are outstanding, the Company shall sell or grant any option to purchase, or sell or grant any right to reprice, reset, "ratchet down" be entitled to receive shares of Common Stock at an effective price per share that is less than the Exercise Price. According to ASC 815, the Company recorded a derivative liability and valued the warrant using a multi-nomial model. The following were used to determine to the value: volatility of 203.6%, risk free rate of .31%. The Company valued the warrants upon issuance for $37,417, then revalued the warrants at $17,697 on December 31, 2015, which resulted in a gain of $19,720.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Note 6 – Stockholders' Equity

Preferred Stock

The Company's articles of incorporation authorize the Company to issue up to 50,000,000 preferred shares of $0.001 par value, having preferences to be determined by the Board of Directors for dividends, and liquidation of the Company's assets. As of December 31, 2015 and 2014, the Company had no preferred shares outstanding.

Common Stock

We are authorized to issue 300,000,000 shares of $0.001 par value common stock. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders and are not entitled to cumulate their votes in the election of directors. The holders of common stock are entitled to any dividends that may be declared by the Board of Directors out of funds legally available therefore subject to the prior rights of holders of any outstanding shares of preferred stock and any contractual restrictions against the payment of dividends on common stock. In the event of liquidation or dissolution of our Company, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no preemptive or other subscription rights and no right to convert their common stock into any other securities.

Issuance of Common Stock

During the year ended December 31, 2015, the Company issued 6,889,094 shares of its common stock for to various employees and consultants in exchange for services rendered. The aggregate fair value of these issuances was $2,694,147. Additionally, the Company issued and sold 2,164,661 shares of its common stock (including 981,229 shares related to anti-dilution clauses) to an accredited investor for an aggregate purchase price of $2,000,000. The total number of shares outstanding as of December 31, 2014 was 22,923,526.

During the year ended December 31, 2014 the Company issued 555,309 shares of its common stock to various consultants in exchange for services rendered with an aggregate fair value of $2,145,026 or $3.86 per share on average. The Company also issued and sold 3,239,780 shares of its common stock to several accredited investors for an aggregate purchase price of $7,289,500 or $2.25 per share on average. The Company issued 64,993 shares of its common stock for settlement of $195,879 of accounts payable or $3.01 per share on average. The Company issued 5,000,000 shares of its common stock in connection with merger transactions with a fair value of $15,000,000 or $3.00 per share on average. Finally, in the year ended December 31, 2014, the Company issued 46,667 shares of its common stock in connection with a convertible note with a fair value of $105,000 or $2.25 per share. The total number of shares outstanding as of December 31, 2014 was 13,869,771.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Note 7 – Warrants and Options

Stock Option Plans

The Company's shareholders approved the Company's 2010 Stock Incentive Plan (the "2010 Plan") on November 2, 2010. The Plan provides for the grant of non-statutory or incentive stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards to the Company's employees, Officers, Directors or consultants. The Company's Board of Directors administers the 2010 Plan, selects the individuals to whom options will be granted, determines the number of options to be granted, and the term and exercise price of each option. Stock options granted pursuant to the terms of the 2010 Plan generally cannot be granted with an exercise price of less than 100% of the fair market value on the date of the grant. The term of the options granted under the 2010 Plan cannot be greater than 10 years. Options vest at varying rates generally over three to five years along with performance based options.

In September 2013, the Company approved the increase in the number of shares issuable pursuant to the 2010 Plan to 15,000,000. In December 2013, the Company's Board of Directors approved an amendment to the Amended and Restated 2010 Stock Incentive Plan which increased the number of shares issuable pursuant to the Plan by 15,000,000 to 30,000,000 shares. Both amendments were approved by the Company's shareholders. Upon completion of the Reverse Stock Split on April 14, 2014, the Company continues to have 30,000,000 shares issuable pursuant to the 2010 Plan.

On February 5, 2013 the Company's Board of Directors adopted the 2013 Consultant Stock Plan (the "2013 Plan") and reserved 2,000,000 shares of the Company's common stock for issuance thereunder. During the year ended December 31, 2013, all 2,000,000 shares were issued under this 2013 Plan.

The following table reflects the option activity during the year ended December 31, 2015 and 2014:

	Common Shares	Average Exercise Price

Outstanding as of January 1, 2014	542,056	$ 3.60
Granted	1,058,770	-
Exercised	-	-
Forfeited, cancelled, expired	(122,849)	2.59
Outstanding as of December 31, 2014	1,477,977	$ 1.11
Granted	151,667	1.86
Exercised	(202,706)	0.48
Forfeited, cancelled, expired	(1,033,063)	0.92
Outstanding as of December 31, 2015	393,875	$ 0.49

To value options granted during the year ended December 31, 2015, the Company used the Black-Scholes option pricing model based upon the following assumptions: term of 3 years, average risk free interest rate of .99%, a dividend yield of 0% and a volatility of 338%. For the year ended December 31, 2015 the company recorded stock option compensation expense of $242,221. As of December 31, 2015, 28,219,022 shares were available for future grants.

For the year ended December 31, 2014, the Company granted 1,058,770 options to purchase its common stock while recording stock compensation expense for these options of $471,043 using the Black-Scholes option pricing model based upon the following assumptions: term of 5 years, risk free interest rate ranging from 1.50% ~ 1.51%, a dividend yield of 0% and a volatility rate ranging from 133% ~ 145%. In that same period, 122,849 stock options were cancelled by the Company as they had been issued to certain consultants and employees who no longer provided services to the Company.

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Warrants

The following table reflects warrant activity during the year ended December 31, 2015 and 2014:

	Warrants for Common Shares	Weighted Average Exercise Price
Outstanding and exercisable as of January 1, 2014	1,550,959	$ 4.80
Granted	1,462,002	3.00
Exercised – cash	-	-
Exercised - cash-less exercise	-	-
Forfeited, cancelled, expired	(133,334)	2.25
Outstanding and exercisable as of December 31, 2014	2,879,627	$ 4.00
Granted	5,826,949	0.99
Exercised – cash	-	-
Exercised - cash-less exercise	-	-
Forfeited, cancelled, expired	(166,667)	0.50
Outstanding as of December 31, 2015	8,539,909	$ 2.02

ADAPTIVE MEDIAS, INC.

Notes to the Consolidated Financial Statements

Note 8 – Income (Loss) Per Share

Net income (loss) per share is provided in accordance with FASB ASC 260-10, *"Earnings per Share"*. Basic net income (loss) per common share ("EPS") is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average shares outstanding, assuming all dilutive potential common shares were issued, unless doing so is anti-dilutive. The numerators and denominators used to calculate basic and diluted income (loss) per share are as follows for the years ended December 31, 2015 and 2014:

	Years ended December 31,	
	2015	2014
Numerator for income (loss) per share:		
Net income (loss) attributable to common shareholders	$(15,586,739)	$(18,849,726)
Numerator for diluted income (loss) per share	$(15,586,739)	$(18,849,726)
Denominator for income (loss) per share:		
Weighted average common shares	17,772,497	9,233,075
Convertible note payable	-	-
Options	-	-
Warrants	-	-
Denominator for diluted income (loss) per share	17,772,497	9,233,075

The following shares are not included in the computation of diluted income (loss) per share, because their conversion prices exceeded the average market price or their inclusion would be anti-dilutive:

	Years ended December 31,	
	2015	2014
Convertible notes	5,008,461	-
Options	393,875	1,586,482
Warrants	8,539,909	2,879,627
Total anti-dilutive weighted average shares	13,942,245	4,466,109

If all dilutive securities had been exercised at December 31, 2015 the total number of common shares outstanding would be as follows:

Common shares	22,923,526
Convertible notes	5,008,461
Options	393,875
Warrants	8,539,909
Total potential shares	36,865,771

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Notes to the Consolidated Financial Statements

Note 9 – Concentrations

The following table reflects the concentration of revenue during the years ended December 31, 2015 and 2014:

	Years ended December 31,	
	2015	2014
Customer 1	30 %	3 %
Customer 2	10 %	0 %
Customer 3	3 %	16 %
Customer 4	5 %	15 %

Customers in excess of 10% or more as included in the table above represent $1,168,927 and $585,673 of gross accounts receivable as of December 31, 2015 and 2014, respectively.

Note 10 – Commitments and Contingencies

Office Lease Agreements

On September 22, 2015 the Company signed a lease for office space in Irvine, California, and subsequently moved its operation to this location. This lease expires in September 2018 and carries a current monthly rent of approximately $5,350.

The Company is also still under lease for its previous office space in Irvine, California that expires in March 2017. The current monthly rent is approximately $13,100. The Company plans to sublet this location in the near future.

Future minimum lease payments under non-cancelable operating leases as of December 31, 2015 are as follows:

Years ending December 31,	
2016	$205,275
2017	103,776
2018	52,497
Total	$361,548

For the years ended December 31, 2015 and 2014 rent expense was $181,281 and $135,533, respectively.

Legal Proceedings

OneScreen, Inc. v. Patel, Orange County Superior Court Case No. 30-2014-00699812

OneScreen initiated the lawsuit against Atul Patel ("Mr. Patel"). Mr. Patel subsequently filed a cross-complaint asserting claims against numerous cross-defendants, including the Company. Mr. Patel asserted various claims in his Second Amended Cross-Complaint against the Company, including claims for conversion, fraudulent transfers, and successor liability. On October 21, 2015, the court heard the Company's demurrer to Mr. Patel's Second Amended Cross-Complaint. The court has taken the motion under submission, and it has not issued a formal ruling on the demurrer. The Company intends to vigorously defend against Mr. Patel's claims.

AdOn Network, LLC v. OneScreen, Inc., et al., San Francisco Superior Court Case No. CGC-14-542878

AdOn Network, LLC ("AdOn") originally filed suit against OneScreen arising out of an alleged settlement agreement that OneScreen entered into with AdOn on March 14, 2014. AdOn asserts that OneScreen breached the settlement and asserts various contractual and quasi-contractual claims against OneScreen. AdOn is seeking damages in excess of $590,000 along with attorneys' fees and other remedies. In its First Amended Complaint, Plaintiff also sued the Company for successor liability for OneScreen's alleged debts. The Company demurred to the First Amended Complaint, but the court denied the demurrer. The Company has answered the First Amended Complaint and intends to vigorously defend against the claims.

MeetMe, Inc. v. Beanstock Media, Inc., et al., Philadelphia Court of Common Pleas

On September 29, 2015, MeetMe, Inc. ("MeetMe") filed suit against Beanstock Media, Inc. ("Beanstock") and the Company. MeetMe asserts breach of contract claims regarding an alleged debt that it claims it is owed by Beanstock. MeetMe also claims that the Company allegedly guaranteed Beanstock's debt through a subsequent agreement. The Company's deadline to respond to the Complaint is November 4, 2015 and it intends to vigorously defend against the claims.

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Adaptive Medias, Inc. v. Jim Waltz, et al., Orange County Superior Court Case No. 30-2015-00812007-CU-FR-CJC

On September 28, 2015, the Company filed suit against former director Jim Waltz ("Mr. Waltz"), Beanstock and MeetMe, Inc. The Company asserts various claims relating to Mr. Waltz' self-dealing as a director of the Company , including fraudulent conduct that resulted in Adaptive Medias paying and allegedly guaranteeing obligations incurred by Beanstock. Among other relief, the Company seeks to recover the monies that were paid to MeetMe, and it seeks to void and/or rescind the obligations Adaptive Medias allegedly incurred as a result of Mr. Waltz' fraudulent conduct and breaches of his fiduciary duties. None of the defendants have yet responded to the Complaint.

Other Commitments and Contingencies

On October 27, 2015, the Company entered into a settlement agreement with a vendor to settle $30,247 in payables for $20,000.

Rescission of Previously Announced and Accrued Settlement

On May 6, 2015, the Company entered into a Confidential Settlement Agreement and Mutual Release (the "Settlement") with Gregg Templeton, pursuant to which the Company and Mr. Templeton agreed to mutually release one another from any and all obligations under previous consulting arrangements between the parties. Pursuant to the terms of the Settlement Agreement, in exchange for consulting services previously rendered to the Company, the Company's shall pay to Mr. Templeton (i) a cash fee in the amount of $405,000; (ii) 318,343 shares of the Company's common stock; and (iii) a five-year warrant to purchase 1,500,000 shares of the Company's common stock at a price of $3.00 per share. This settlement was authorized by two of three Board members and was accrued as of March 31, 2015. It was later determined that the settlement document itself was never signed by an officer of the Company and the Company has no intentions of settling this issue on the terms noted above. Further, the Chairman of the Board, being the only sitting Board member rescinded the Board authorization for this settlement on July 22, 2015. As a result of this rescission, the Company reversed $3,768,485 as a component of "Other Income" in the accompanying statements of operations for the three and year ended December 31, 2015 in the line item, "Reversal of previously accrued settlement".

Reversals of Certain Liabilities

During the three months ended December 31, 2015, the Company reversed certain legacy liabilities in the amount of $658,000 that were carried over from the Mimvi transaction in 2013. Upon the Company's review, it was determined that these amounts did not represent valid liabilities. In addition, certain liabilities recorded in prior years in the amount of $315,000 were determined to be invalid and were reversed. The aggregate of these reversals in the amount of $973,000 were recorded as a component of "Other income" in the accompanying statements of operations for the year ended December 31, 2015

Effective October 1, 2014, the Company contracted with its majority stockholder to provide consulting services. For the year ended December 31, 2014, the Company recognized $58,000 of expense for services rendered by the consultant, $42,000 of which was paid and $16,000 was included in accounts payable as of December 31, 2014.

Effective April 1, 2014, the Company contracted with a consultant to perform services requested by the Company on a non-exclusive basis. On May 7, 2014, this consultant was appointed by the Company's Board of Directors as a member thereof. For the year ended December 31, 2014, the Company recognized $493,706 of expense for services rendered by this consultant/Director, $228,202 of which was paid in cash, $242,985 of which was paid with restricted stock and $22,519 of which was included in accounts payable as of December 31, 2014.

Note 11 – Subsequent Events

The Company follows the guidance in FASB ASC Topic 855, *Subsequent Events* ("ASC 855"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before the consolidated financial statements are issued or are available to be issued. ASC 855 sets forth (i) the period after the balance sheet date during which management of a reporting entity evaluates events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its consolidated financial statements, and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

On January 16, 2016 the Company entered into a settlement agreement with a vendor to settle $55,137 in payables for $58,593 including fees and costs.

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Notes to the Consolidated Financial Statements

Loan transactions

On February 22, 2016, the Company entered into a convertible promissory note with an outside investor for a principal amount of $245,000 in exchange for $220,400 with a maturity date of November 19, 2016. The note is convertible at a conversion price of 60% of the lowest trading price of the Company’s common stock for the previous 20 trading days prior to the conversion date. The note bears interest at 12% per annum.

The holder of the February 22, 2016 discount convertible debenture also received warrants to purchase an aggregate of 1,276,042 shares of the Company’s common stock, par value $0.0001 per share, for an exercise price of $0.50 per share for a period of five (5) years.

On February 24, 2016, the Company entered into a convertible promissory note with an outside investor for a principal amount of $245,000 in exchange for $55,000 with a maturity date of November 19, 2016. The note is convertible at a conversion price of 60% of the lowest trading price of the Company’s common stock for the previous 20 trading days prior to the conversion date. The note bears interest at 12% per annum.

On March 4, 2016, the Company entered into a convertible promissory note with an outside investor for a principal amount of $245,000 in exchange for $253,000 with a maturity date of February 25, 2016. The note is convertible at a conversion price of 60% of the lowest trading price of the Company’s common stock for the previous 20 trading days prior to the conversion date. The note bears no interest unless an event of default occurs under which it would bear an interest rate of 22% per annum.

On March 15, 2016, the Company entered into a convertible promissory note with an outside investor for a principal amount of $40,000 in exchange for $34,000 with a maturity date of March 15, 2017. The note is convertible at a conversion price of 60% of the lowest trading price of the Company’s common stock for the previous 20 trading days prior to the conversion date. The note bears interest at 10% per annum.